



Highland ReCAP

A Review of Capital Markets



CONSULTING ASSOCIATES, INC.
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September 2023

Summary

Markets declined further in September, marking a second consecutive down month for both stocks and bonds. Interest rates marched higher, and the Treasury curve flattened with the 10-year yield topping 4.6% late in the month; mortgage rates also ended higher. On the economic front, the United Auto Workers initiated the first phase of a worker strike, while the U.S. government narrowly averted a shutdown at month-end by passing a temporary resolution.

Equities

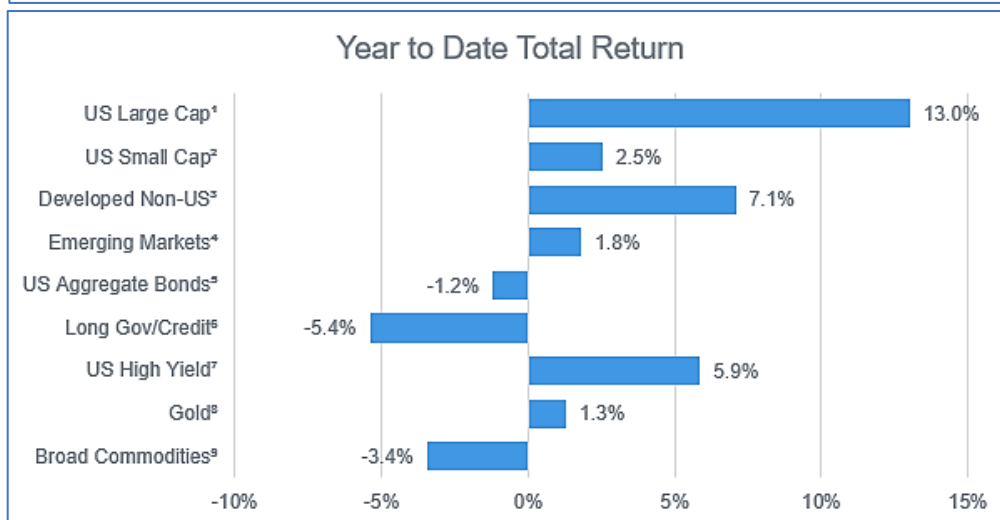
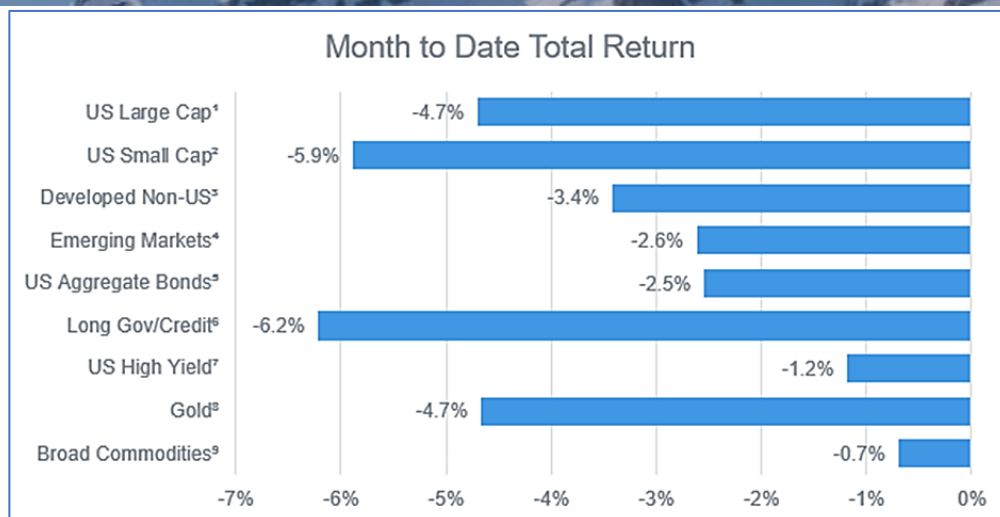
Global equities finished down in September, with non-U.S. stocks holding up slightly better than domestic equities. Higher interest rates have put pressure on the high-flying tech stocks that led markets through the first half of 2023. Overseas, the European Central Bank raised short-term rates 25 basis points, and the Bank of England paused in September, ending a 14-month streak of hikes. Developed international stocks ended 3.4% lower for the month, while emerging markets lost 2.6%.

Fixed Income

While the Federal Reserve paused in September, and August inflation met market expectations, interest rates continued to edge higher during the month, with most of the volatility in the 5-10 year part of the curve. Ten-year Treasury yields ended the month at 4.58% after touching an intraday high of 4.68% on September 28. Credit outperformed as spreads remained tight. Broad bonds were down 2.5%, while high yield corporates lost only 1.2% for the month.

Market Trends

As of September 30, 2023



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	-4.7%	-3.1%	13.0%	21.2%	9.5%	9.6%	11.6%
US Small Cap ²	-5.9%	-5.1%	2.5%	8.9%	7.2%	2.4%	6.6%
Developed Non-US ³	-3.4%	-4.1%	7.1%	25.6%	5.8%	3.2%	3.8%
Emerging Markets ⁴	-2.6%	-2.9%	1.8%	11.7%	-1.7%	0.6%	2.1%
US Aggregate Bonds ⁵	-2.5%	-3.2%	-1.2%	0.6%	-5.2%	0.1%	1.1%
Long Gov/Credit ⁶	-6.2%	-9.4%	-5.4%	-2.9%	-11.9%	-1.2%	1.9%
US High Yield ⁷	-1.2%	0.5%	5.9%	10.3%	1.8%	3.0%	4.2%
Gold ⁸	-4.7%	-3.9%	1.3%	10.9%	-1.4%	8.1%	2.6%
Broad Commodities ⁹	-0.7%	4.7%	-3.4%	-1.3%	16.2%	6.1%	-0.7%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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FTSE Russell

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