

Equities

Equities eked out a gain last week as leadership continued to shift from Growth toward higher-quality Value stocks. While this year has largely been a story of tech resilience in the face of elevated yields, the 58bps rise in the 10-year Treasury yield since mid-July has driven outperformance of Value over Growth of around 800bps. Consumer stocks benefitted from economic data that continued to show sturdy household spending. Semiconductor stocks fell for a second straight week despite Arm, a chip design firm, trading higher post-IPO. Stocks outside the U.S. kept pace, with those in Europe and EM rising 1.15% and 1.14%.

Fixed income

The yield curve bear steepened slightly as the 10-year yield pushed higher on Friday to close at 4.33%. The market is placing a near-zero chance of a rate hike at Wednesday's FOMC meeting, though the odds for the November meeting remain about one in three. Rather than changes in the policy rate, investors will be keyed into a fresh batch of the Fed's economic forecasts that will be released this week. The Bloomberg Agg declined slightly on the week, while HY bonds and leveraged loans each edged out gains.

Commodities

Oil prices shot past \$90/bbl for the first time since November and are now up 14% over three weeks. The confluence of solid U.S. demand, a supportive supply picture, and a much-welcome upside surprise in Chinese industrial and consumer data catalyzed the upward move. U.S. rig counts rose for the first time since July as prices have risen; total U.S. production is already on the precipice of eclipsing its pre-COVID all-time high of 13.1mmbpd.

Economic overview

Economic data last week broadly suggested that demand in the economy remains robust – and likely still too hot for the Fed's liking. Retail sales ex-autos and gas rose 0.2% (Cons -0.1%) and are running at a roughly 4.5% annualized pace over the past three months. Initial and continuing jobless claims showed no signs of material labor market slackening. Core CPI rose 0.3% (Cons 0.2%) m/m while energy prices drove the headline CPI up 0.6% (in-line). The closely watched measure of core services ex-shelter rose 0.53% m/m, the most since September in a small, but unwelcome, step backward in the fight to bring inflation back to 2%.

Equities (price index)		MTD	QTD	YTD	2022
S&P 500	4,450.32	-1.27%	0.00%	15.91%	-19.44%
DJIA	34,618.24	-0.30%	0.61%	4.44%	-8.78%
NASDAQ	13,708.33	-2.33%	-0.58%	30.97%	-33.10%
Russell 2000	1,847.03	-2.77%	-2.21%	4.87%	-21.56%
MSCI World	2,960.98	-0.84%	-0.19%	13.77%	-19.46%
MSCI Europe	1,886.14	-0.82%	-2.19%	8.93%	-17.28%
MSCI EAFE	2,108.23	-0.04%	-1.10%	8.45%	-16.79%
MSCI Asia	163.92	1.14%	0.41%	5.25%	-19.36%
MSCI EM	984.99	0.48%	-0.45%	2.99%	-22.37%
VIX	13.79	0.22	0.20	-7.88	4.45

Fixed income (total return index)		MTD	QTD	YTD	2022
Barclays U.S. Agg	2,054.10	-1.09%	-1.79%	0.26%	-13.01%
Inv. grade bonds	3,014.19	-1.18%	-1.61%	1.55%	-15.76%
High yield bonds	2,339.34	-0.11%	1.55%	7.01%	-11.19%
Leveraged Loans	3,623.24	0.93%	3.43%	9.94%	-0.60%

Alternatives (total return index)		MTD	QTD	YTD	2022
FTSE NAREIT	21,738.73	-0.34%	-1.73%	1.19%	-24.95%
REIT Index					
GS Commodity Index	618.05	4.50%	14.36%	1.31%	8.71%
Alerian MLP Index	1,759.23	1.07%	7.59%	18.02%	30.92%

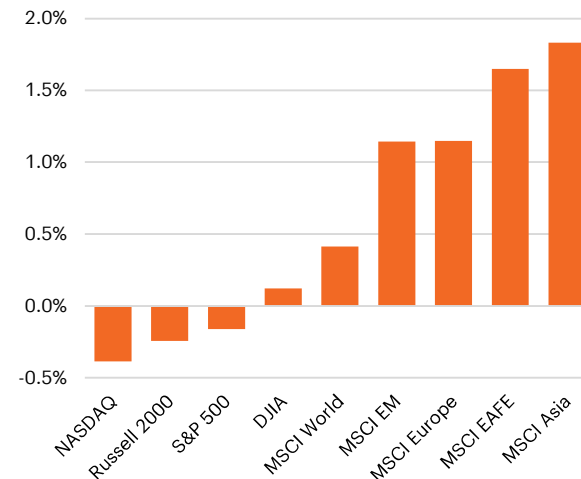
Commodities		MTD	QTD	YTD	2022
WTI Crude	\$90.77	8.54%	28.50%	13.09%	6.71%
Brent Crude	\$93.93	8.14%	25.41%	9.34%	10.45%
Natural Gas	\$2.64	-4.48%	-5.50%	-40.92%	19.97%
Gold	\$1,928	-0.98%	-0.08%	5.57%	-0.13%

Currency		MTD	QTD	YTD	2022
Dollar Index (DXY)	105.32	1.64%	2.34%	1.74%	8.21%
USDCNY	7.28	0.23%	0.30%	5.47%	8.54%
Bitcoin	26,418	1.56%	-13.07%	59.73%	-64.30%

Spreads		MTD	QTD	YTD	2022
Inv. grade bonds	118 bps	0 bps	-5 bps	-12 bps	38 bps
High yield bonds	374 bps	2 bps	-16 bps	-95 bps	186 bps
Leveraged loans	464 bps	-15 bps	-37 bps	-96 bps	149 bps
Emerging markets	312 bps	-5 bps	-14 bps	-27 bps	42 bps

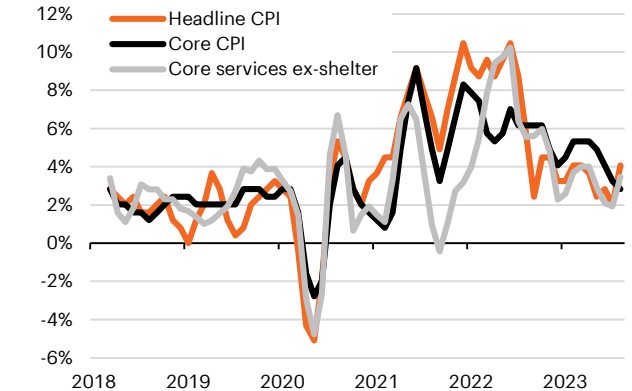
Interest rates		MTD	QTD	YTD	2022
Fed Funds Target	5.375%	5.375%	5.125%	4.375%	4.375%
SOFR	5.30%	-1 bps	21 bps	100 bps	425 bps
3-month LIBOR*	5.67%	1 bps	13 bps	90 bps	456 bps
2-year Treasury	5.03%	17 bps	14 bps	61 bps	369 bps
10-year Treasury	4.33%	22 bps	50 bps	46 bps	236 bps
30-year Treasury	4.42%	21 bps	56 bps	45 bps	206 bps
Barclays U.S. Agg	5.17%	20 bps	36 bps	49 bps	293 bps
Inv. grade bonds	5.82%	21 bps	34 bps	40 bps	309 bps
High yield bonds	8.53%	12 bps	3 bps	-43 bps	475 bps

Last week's equity returns



Inflation fight not quite over

CPI indexes, 3-mo. moving average of monthly changes (ann.)



Source: U.S. BLS, as of September 14, 2023.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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