

Calamos Wealth Management Monthly Commentary

NOVEMBER 07, 2023

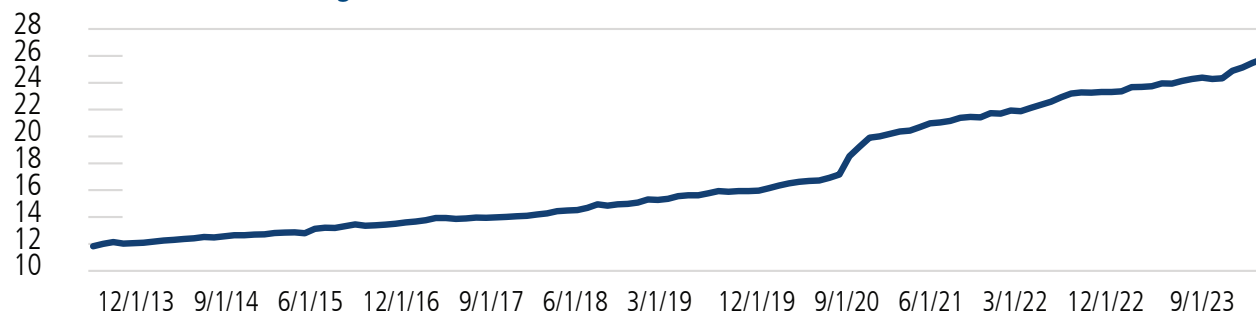
October 2023 saw the S&P 500 fall for a third consecutive month, the longest slide since 2020. The US 10-year treasury yield briefly touched 5% mid-month before settling below that level for the last couple of weeks of October. Below we focus on three key themes that have influenced markets this month.

Key Date: November 1

As widely expected, the Fed held rates steady for the second consecutive meeting at the Oct. 31–Nov. 1 FOMC meeting. Core inflation crept up in September, and economic data continued to surprise to the upside. While data are expected to slow, the Fed appears to be retaining its tightening bias.

Though there was a Fed announcement on the same day, markets were just as focused on the US Treasury's quarterly debt-issuance plan. The Treasury said it will sell \$112 billion in longer-term securities at its quarterly refunding auctions next week, which was modestly below the \$114 billion figure expected by major dealers. Bond yields have surged since the department's last debt issuance plan in August. The lower-than-expected Treasury sale provided a bit of calm to bond markets in what has been a volatile few months. Still, the federal deficit has roughly doubled relative to a year ago, and we are watching supply-and-demand dynamics closely.

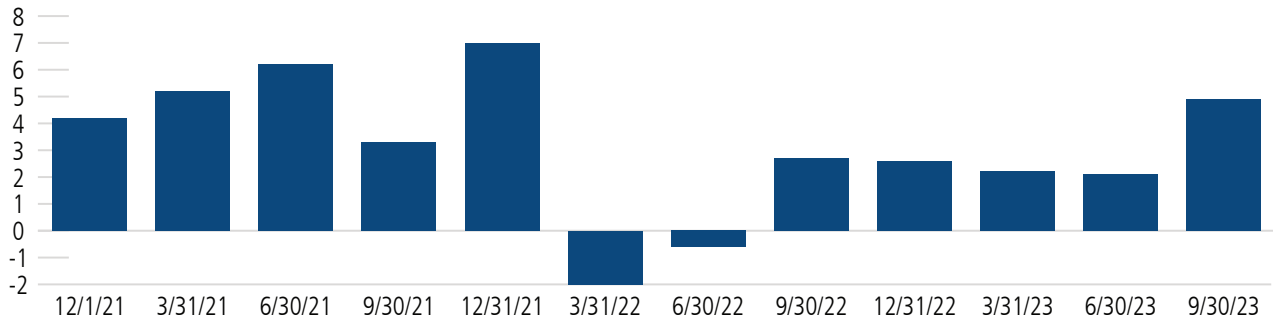
US Total Debt Outstanding (Trillions)



Blowout US Economic Growth

While many were skeptical of the 5-6% real-time gross domestic product (GDP) estimates (i.e., Atlanta Fed GDPNow), they turned out to be relatively accurate, with the US economy growing at a 4.9% annual rate in the third quarter, well above expectations and the fastest growth since 2021. This growth was driven heavily by a surge in personal spending, which jumped 4%, also the most since 2021. As we have noted in past commentaries, the continued resilience of the US consumer has been the enduring strength of the job market and continued strong wage growth.

US GDP Defies Expectations



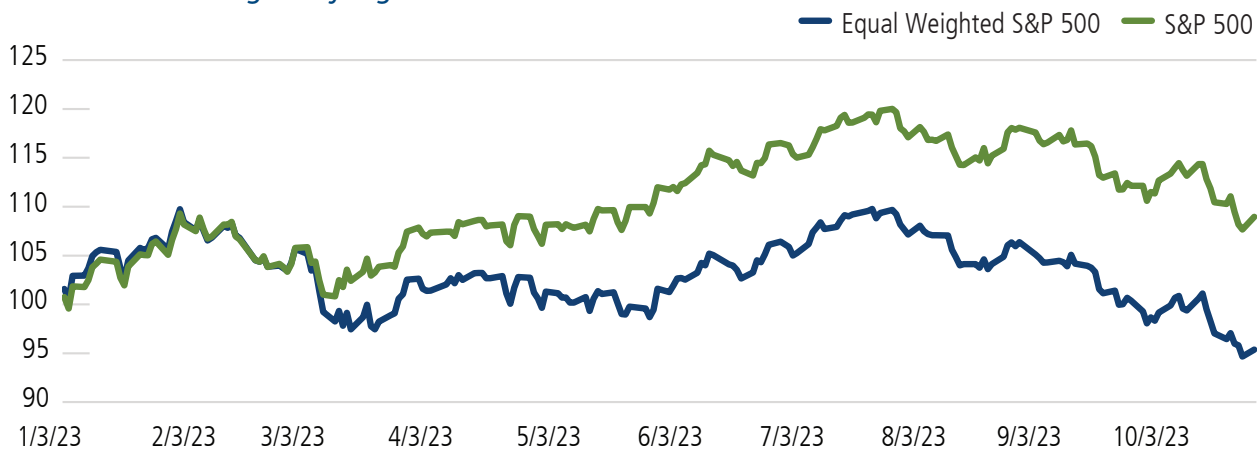
Source: Bureau of Economic Analysis, Bloomberg

Forecasts for Q4 economic growth are significantly lower with an economist consensus of around 1%. If growth were to continue to surprise to the upside, it may warrant tighter monetary policy or, at the very least, would push out potential Fed rate cuts.

Big Tech Pauses but Still Driving Markets Higher

The "Magnificent 7" tech giants have garnered many of the headlines this year as they have propped up US equities. While the S&P 500 is up over 10% this year, without these seven large tech companies, the S&P 500 would be down for the year. During the month of October these large names saw a significant deviation in performance, with Tesla stock falling nearly 20%, whereas Amazon and Microsoft were up 4.7% and 7.1%, respectively.

S&P 500 Driven Higher by Big Tech



Source: Bloomberg, S&P. Past performance is no guarantee of future results.

The artificial intelligence (AI) narrative will continue to be in focus for equity markets, and investors will concentrate intensively on earnings reports for these companies, looking to determine the appropriate amount of AI benefit to price into these stocks.

The **S&P 500®** is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

Russell 2000 Index

The **Russell 2000 Index** is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization.

Bloomberg Barclays Aggregate Index

The **Bloomberg US Aggregate Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).

Gross Domestic Product

The **gross domestic product (GDP)** measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity.

VIX Index

The **VIX Index** is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500 Index.

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