

After the Close

An Ameriprise Global Asset Allocation Committee publication

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November 14, 2023

Stocks rally after inflation eases more than expected in October

On the day

Stocks are experiencing their best month in over a year, and today's October Consumer Price Index (CPI) report added a little fuel to the November rally. The S&P 500 is up +7.2% in November, while the NASDAQ Composite has jumped +9.7%. Stocks accelerated higher at the open after investors learned October headline CPI posted its lowest print since July 2022 on a month-over-month basis, while core CPI (ex-food and energy) recorded its lowest print since September 2021 on a year-over-year basis. Whether monthly or annualized, inflation in October was lower than forecast and below September levels. Lower prices across gasoline, new and used vehicles, and overall services helped drive inflation lower than investors expected. Even the closely watched "shelter" component of CPI, which accounted for 70% of the total annual core increase in September, moved lower in October. Bottom line: Inflation continues to moderate, economic growth remains firm, employment trends are solid, and aggregate S&P 500 earnings growth has turned positive y/y. And while it's too early to call, building evidence that a *soft-landing* for the U.S. economy remains plausible has now bent market momentum back toward the bulls.

Committee View

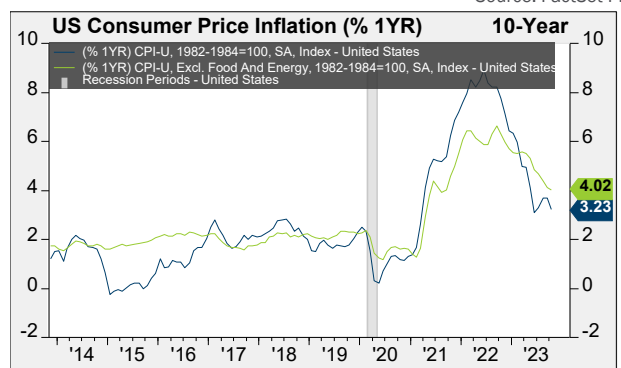
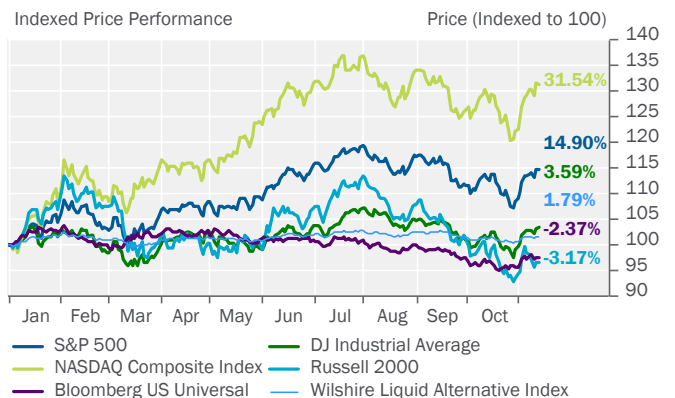
It's worth mentioning that following three straight months of stock declines through the end of October, overall market sentiment was very weak. Against a backdrop of an extended period of stock performance malaise and concerns regarding higher rates/tighter monetary policy, there was little incentive for the bulls to step in. That said, by the end of October, both the S&P 500 and NASDAQ had hit levels associated with a technical correction (i.e., a decline of 10% or more from a recent market top). With an improved macro narrative in November, such as lower interest rates and a Fed now likely on hold in December, combined with opportunistic traders taking advantage of contrarian/correction tailwinds, stocks are melting higher in November. If government bond yields can stabilize through the rest of the year (or head lower) and equity volatility remains at muted levels, stocks may have more upside through yearend, in our view. And if the U.S. government can avoid a shutdown this week and President Biden and China President Xi Jinping can show a little progress on reinstating diplomatic communication at APEC tomorrow, potential hurdles for the market through the rest of the year appear manageable. As we often note in our daily *Before the Bell* and *Weekly Market Perspectives* reports, inflation has been the key dynamic to watch. And as today's CPI print helps stress, inflation is moving in the right direction. Importantly, if inflation pressures continue to ease (which we believe they should), the upward pressure on interest rates could also subside, allowing stocks more breathing room to the upside. After investors poured a record \$1.4 trillion into money market funds this year, per *EPFR Global* data, there's plenty of dry powder on the sidelines to help fuel a modest rally heading into the end of the year.

Today's Market Action at a Glance

Benchmark	Index Level	Net Change	% Change
S&P 500 Index	4,495	+84.2	+1.9%
Dow Jones Industrial Average	34,827	+489.8	+1.4%
Russell 2000 Index	1,796	+90.6	+5.3%
NASDAQ Composite	14,094	+326.6	+2.4%
Best Performing S&P Sector: Real Estate			+5.3%
Worst Performing S&P Sector: Energy			+0.5%
10-year U.S. Treasury Yield: 4.44%		-18 basis points	
West Texas Intermediate (WTI) Oil: \$78.22		-0.05% per barrel	
Spot Gold: \$1,967.50		+0.9% per troy oz	

All data and charts via FactSet as of approximately 4 PM ET. Past performance is not a guarantee of future results.

Year-to-Date Price Performance Through the Prior Day



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As of September 30, 2023

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