

## Stocks & Bonds Trade Lower as Interest Rates Continue to Rise

### Monthly Market Summary

- The S&P 500 Index declined -2.2% in October but outperformed the Russell 2000 Index's -6.9% decline. The Utility sector was the top-performing S&P 500 sector, while Energy and Consumer Discretionary led to the downside.
- Corporate investment-grade bonds produced a -2.4% total return in October, underperforming corporate high-yield bonds' -1.0% total return.
- International stocks underperformed U.S. stocks. The MSCI EAFE Index of developed market stocks declined -2.9% and slightly outperformed the MSCI Emerging Market Index's -3.3% return.

### Stocks Decline for a Third Month as Rates Reach Highest Levels Since 2007

The S&P 500 gained more than 20% through the end of July but has since declined 8.3% over the past three months, bringing its year-to-date gain to 10.6%. A significant factor behind the recent equity market sell-off has been the sharp rise in interest rates, with the 10-year U.S. Treasury yield climbing +1.25% from mid-July through mid-October and rising above 5% for the first time since 2007. This surge in Treasury yields continues to weigh on both stocks and bonds as valuations adjust to a world of higher interest rates. Small-cap stocks underperformed large-cap stocks by over -4.5% in October, and defensive sectors outperformed cyclical sectors. In the credit market, bonds posted another month of negative returns. The following paragraphs discuss why stocks and bonds tend to experience pressure during rising rate periods.

### Why Rising Interest Rates Cause Bonds & Stocks to Trade Lower

Consider two bonds: Bond A was issued one year ago and pays a fixed 2% interest rate, and Bond B was issued one month ago and pays a fixed 2.5% interest rate. On an annual basis, Bond A yields \$2 per \$100 of principal, while Bond B yields \$2.50 per \$100 of principal. Assuming all else is equal, a rational investor would choose Bond B because of its higher yield. To attract investors to buy Bond A and align its yield with Bond B's 2.5% yield, the market will adjust the price of Bond A lower. In our example, the price of Bond A will decline so that its fixed \$2 interest payment corresponds to a 2.5% yield. At this adjusted price, investors would earn a 2.5% yield with Bond A, making them indifferent to choosing between Bond A and Bond B.

Rising interest rates also cause stocks to trade lower. As interest rates climb, bonds offer a higher expected return, which makes bonds more competitive with stocks. The higher expected return on bonds can prompt investors to sell stocks and buy bonds, causing stock prices to decline. In addition, higher interest rates increase borrowing costs, which can slow economic growth and reduce corporate profits. If investors expect slower earnings growth, stock prices may decline as investors seek lower valuations to offset the heightened earnings risk.

## THIS MONTH IN NUMBERS

FIGURE 1

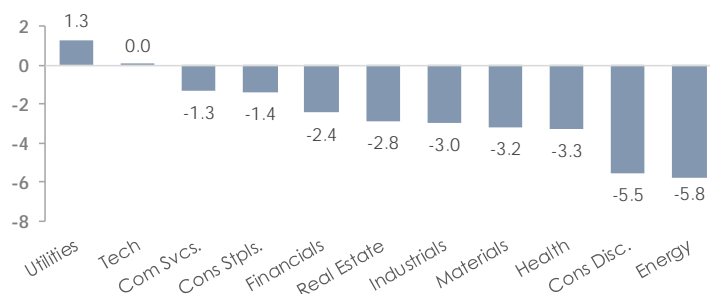
### U.S. Style Returns (October in %)

	Value	Blend	Growth
Large	-3.6	-2.2	-1.5
Mid	-5.0	-5.0	-5.1
Small	-6.0	-6.9	-7.7

Data Reflects Most Recently Available As of 10/31/2023

FIGURE 2

### U.S. Sector Returns (October in %)



Data Reflects Most Recently Available As of 10/31/2023

FIGURE 3

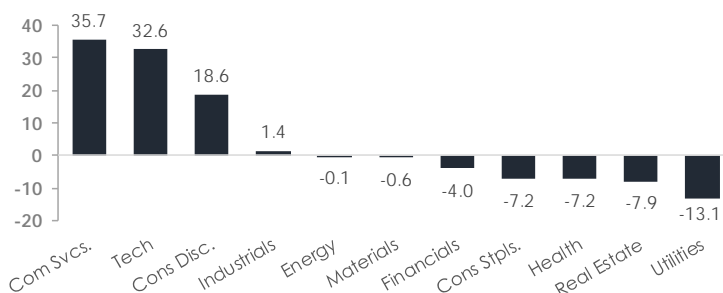
### U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	-1.9	10.6	23.0
Mid	-4.5	-1.3	4.2
Small	-6.5	-4.5	-2.9

Data Reflects Most Recently Available As of 10/31/2023

FIGURE 4

### U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 10/31/2023

FIGURE 5

### Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	-2.2%	-8.3%	1.3%	10.6%	10.0%	33.7%
Dow Jones	-1.3%	-6.6%	-2.1%	1.3%	3.0%	31.7%
Russell 2000	-6.9%	-16.8%	-5.3%	-4.5%	-8.7%	12.2%
Russell 1000 Growth	-1.5%	-7.7%	6.6%	23.0%	18.7%	27.6%
Russell 1000 Value	-3.6%	-9.8%	-4.3%	-1.9%	0.0%	33.1%
MSCI EAFE	-2.9%	-10.1%	-7.3%	3.9%	15.5%	19.4%
MSCI EM	-3.3%	-12.5%	-5.4%	-2.3%	10.0%	-11.8%
NASDAQ 100	-2.1%	-8.4%	9.1%	32.3%	27.0%	32.4%

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	5.65%	-1.6%	-4.7%	-2.5%	0.4%	-15.1%
U.S. Corporates	6.40%	-2.4%	-7.0%	-2.8%	2.0%	-17.9%
Municipal Bonds	4.72%	-1.2%	-4.5%	-2.3%	2.2%	-6.2%
High Yield Bonds	9.50%	-1.0%	-2.4%	3.1%	4.7%	0.6%

Key Rates	10/31/2023	9/30/2023	7/31/2023	4/30/2023	10/31/2022	10/31/2020
2 yr Treasury	5.06%	5.04%	4.86%	4.06%	4.49%	0.15%
10 yr Treasury	4.90%	4.57%	3.95%	3.45%	4.07%	0.85%
30 yr Treasury	5.06%	4.70%	4.02%	3.67%	4.20%	1.64%
30 yr Mortgage	8.06%	7.74%	7.26%	6.85%	7.22%	3.06%
Prime Rate	8.50%	8.50%	8.50%	8.00%	6.25%	3.25%

Data Reflects Most Recently Available As of 10/31/2023

Dividend Yield	NTM P/E	P/B
1.56%	17.2x	3.8x
2.03%	15.8x	4.1x
1.70%	17.8x	1.6x
0.76%	23.7x	9.9x
2.29%	13.2x	2.1x
2.36%	12.1x	1.6x
2.44%	11.3x	1.5x
0.62%	22.3x	6.2x

Commodities	Level	1 month	YTD
Oil (WTI)	81.02	-10.8%	0.9%
Gasoline	2.32	-12.1%	-10.0%
Natural Gas	3.81	30.2%	-7.1%
Propane	0.66	-9.0%	-14.6%
Ethanol	2.05	-10.1%	-7.0%
Gold	1,994	6.9%	9.2%
Silver	22.95	2.2%	-4.5%
Copper	3.64	-2.3%	-4.3%
Steel	871	23.7%	17.1%
Corn	4.79	0.4%	-29.4%
Soybeans	12.80	0.9%	-14.5%

## Disclosures

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Exchange-traded funds (ETFs) are subject to risks similar to those of stocks, such as market, interest rate, foreign exchange, and liquidity risks. An investor in ETFs may bear indirect fees and expenses charged by the ETFs in addition to their direct fees and expenses, and is subject to the risk of loss of principal. ETF sponsors may suspend trading in ETFs and may not honor redemption requests. ETFs may trade at a discount or premium to their net asset value and are subject to the market fluctuations of their underlying investments. When considering investing in an ETF, you should consult your financial advisor and accountant on how investing in the fund will affect your taxes.

Before investing in an ETF, you should read both its summary prospectus and its full prospectus, which provide detailed information on the ETF's investment objective, principal investment strategies, risks, costs, and historical performance (if any). The SEC's EDGAR system, as well as Internet search engines, can help you locate a specific ETF prospectus. You can also find prospectuses on the websites of the financial firms that sponsor a particular ETF, as well as through your broker.

Past performance is no guarantee of future results of any ETF.

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The S&P 500 Index is a commonly recognized, market-capitalization-weighted index of 500 widely-held companies, designed to measure the performance of US large-cap stocks. The Russell 3000 Index is a free float-adjusted, market-capitalization-weighted index which measures the performance of the largest 3,000 US companies representing approximately 98% of the investable US equity market. The MSCI All Country World Index [ACWI] is designed to measure the performance of the global equity market and is a free float-adjusted, market-capitalization-weighted index composed of large- and mid-cap stocks of companies located in developed and emerging countries throughout the world. The MSCI ACWI ex-USA Index is designed to measure the performance of the global equity market excluding the US component and is a free float-adjusted, market-capitalization-weighted index composed of large- and mid-cap stocks of companies located in developed- and emerging-market countries. The Bloomberg Barclays US Aggregate Bond Index [BBG Barc Agg] provides a broad-based measure of the fixed-rate US investment-grade debt market. The Bloomberg Barclays Global Aggregate Bond Index [BBG Barc Global Agg] measures global investment-grade, fixed-rate debt from both developed- and emerging-markets. The J.P. Morgan Global Aggregate Bond Index (JPM GABI) provides a broad-based measure of the global fixed-rate, investment-grade debt markets. The JPM GABI is a US dollar denominated, investment-grade index with asset classes from developed and emerging markets. Cash refers to overnight Fed funds.