



MARKET UPDATE

NOVEMBER 3, 2023

"It is a part of probability that many improbable things will happen."

Aristotle

October is a fascinating month in markets, home to the two greatest crashes in U.S. stock market history, yet benign relative to other months over decades of results. In fact, since 1970 October has averaged about a 1% return, ranking right in the middle of the pack. Equity investors betting on the law of averages would have been disappointed in 2023 as stocks declined broadly. The S&P 500 declined (2.1%), the Dow Jones Industrials (1.3%), NASDAQ (2.8%), and the Russell 2000 (6.8%).

Moreover, the triple threat of geopolitical risks, decelerating earnings growth, and massive U.S. government funding needs at higher interest rates proved too much for fixed income as well. Once again bonds were no safe haven for investors in the face of a resolute Federal Reserve and ever-increasing Treasury issuance. The Bloomberg Aggregate Bond Index declined 1.6% for the month.

Markets around geopolitical events

GTM U.S. OTB

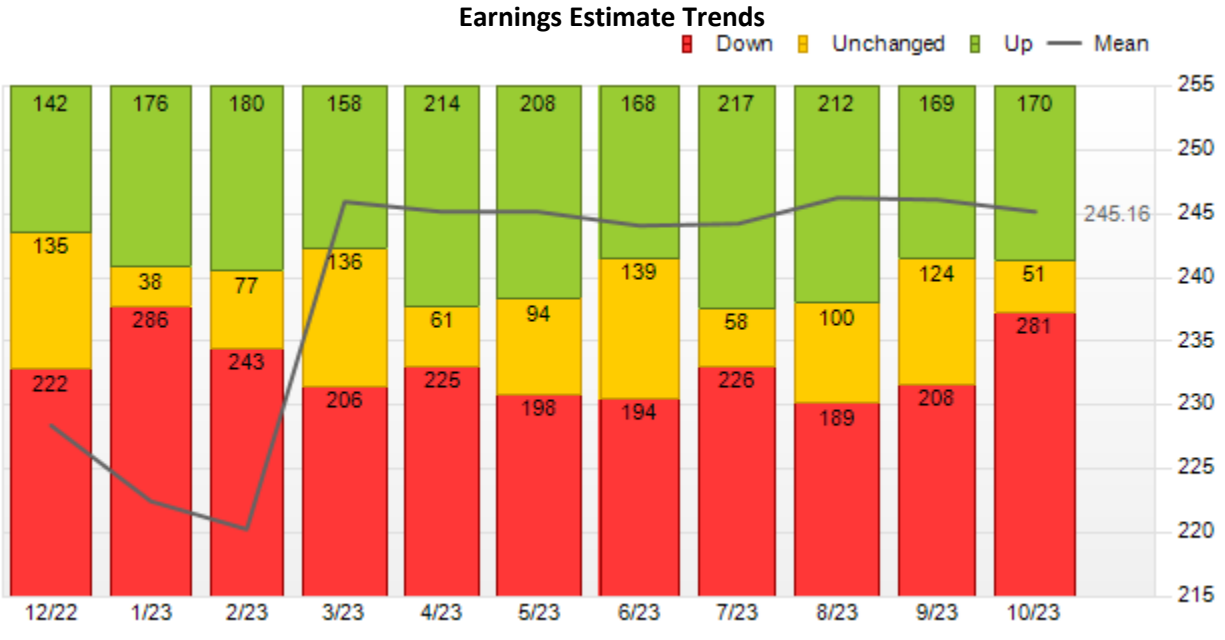
S&P 500 selloffs around geopolitical events

Event	Start of sell off	Duration of sell off (trading days)	Size of sell-off (%)	Duration to recover to prior level (trading days)
Israel Arab war / oil embargo	10/29/1973	27	-17.1%	1475
Shah of Iran exiled	1/26/1979	9	-4.6%	34
Iranian hostage crisis	10/5/1979	24	-10.2%	51
Soviet invasion of Afghanistan	12/17/1979	12	-3.8%	6
Libya bombing	4/21/1986	20	-4.9%	7
First Gulf War	1/1/1991	6	-5.7%	8
Kosovo bombing	3/18/1999	4	-4.1%	9
9/11 attacks	9/10/2001	6	-11.6%	15
Iraq war	3/21/2003	7	-5.3%	16
Arab spring (Egypt)	1/27/2011	2	-1.8%	3
Ukraine conflict	3/7/2014	6	-2.0%	13
Intervention in Syria	3/7/2014	21	-7.4%	12
Russia/Ukraine War	2/11/2022	17	-7.2%	11
Average	(1973-2022)	9	-5.3%	12

Table Source: JP Morgan Asset Management

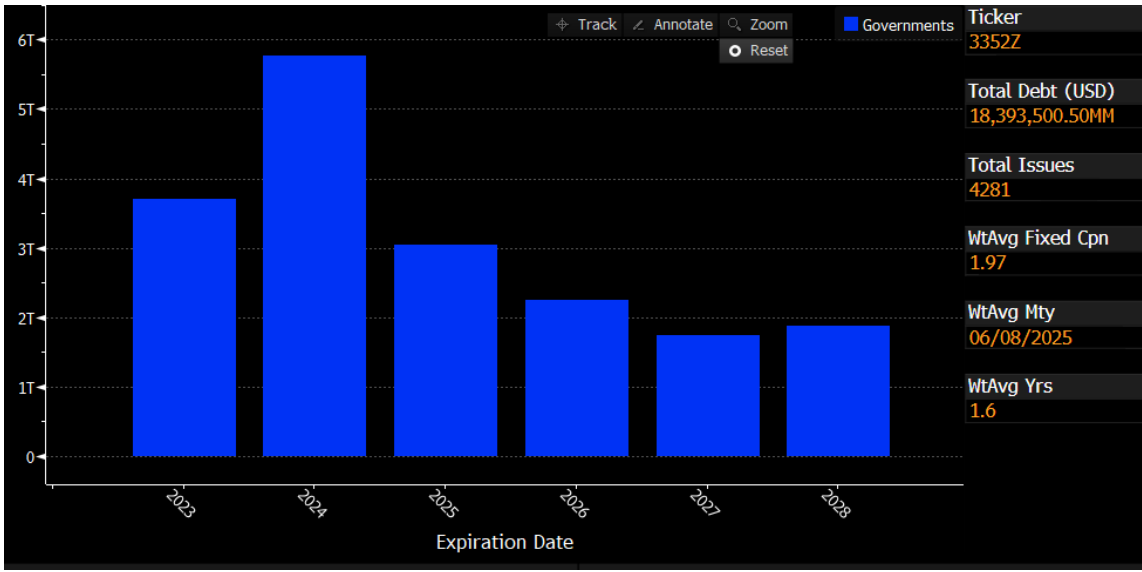
As the above table illustrates, geopolitical unrest has a varying impact on stock prices. Middle East unrest has historically caused the most volatility because of the actual or perceived risks to global oil market supplies. The S&P 500 peaked three trading days after the latest conflict in the region began and then declined 4.2% to the close of the month.

As of this writing more than half of the S&P 500 constituents have reported third quarter results. Overall earnings have come in better than feared, however stock price reactions are now skewing negatively in a distinct change from earlier this year. Management commentary remains cautious for 2024 and there are mounting concerns that earnings estimates for 2024 are still too high and must come down to reflect macro-economic risks. During October, 56% of the companies in the S&P 500 saw their 2024 earnings estimates decline, up from just 38% in August.



Source: FactSet Data

Finally, the magnitude of the U.S. government’s future debt issuance is worrisome to say the least. The chart below only reflects current treasury debt maturities that will need to be refinanced by the government. On top of these staggering amounts, deficits are running north of \$2 trillion per year and the Federal Reserve shows no signs of changing its stance on “quantitative tightening.” Almost by definition these higher funding costs will crowd out other investment opportunities in the coming years.



Source: Bloomberg

There is nothing in the historical record of Aristotle as an investor. However, his insights on probability inform how we manage portfolios at Seacoast Wealth Management, where the

mantra is to prepare and protect. All year we avoided bigger losses in the fixed income markets by emphasizing short-term investment grade corporate debt and US Treasury and agency issues. Within equities we resisted the temptation to chase the so-called Magnificent Seven stocks and they have declined on average almost 9% over the last three months. We remain diligent in building high-quality portfolios with emphasis on long-term returns and will look to use market volatility to capture opportunities as they arise.

Disclosures:

Trust and investment management services are offered through Seacoast Wealth Management, a business group of Seacoast Bank. The information contained herein was gathered from sources believed to be reliable but is not guaranteed by Seacoast Bank nor is it to be considered all-inclusive. Further, the information does not purport to be a complete analysis of any security, company, or industry mentioned. Opinions regarding any securities and/or security mentioned are subject to change at any time.

This presentation is intended for the sole use of the present or prospective client named and it not to be distributed to any other party. The presentation is not intended as nor does it constitute tax or legal advice. You should consult your own lawyer, accountant or other professional advisor when planning to implement a strategy. All charts/tables are presented as illustrations provided for informational purposes only and are not indicative of future results. No guarantee is given that any specific investment or strategy referenced or described herein will be profitable or will achieve results equal to or exceeding historical, simulated or hypothetical results presented. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio or assure or protect against loss in any given market environment. Past performance is not a guarantee of future results. Securities, Insurance and Advisory Services are: Not a deposit. Not FDIC Insured. Not guaranteed by the bank.

Sources: JP Morgan Asset Management; NASDAQ; FactSet; Bloomberg; Broadridge: *Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks.*