

## Value Stocks Lead Market Rebound Amid Some Relief on the Debt Ceiling

The S&P 500 advanced 0.8% this week, overcoming a tough Monday session, as investors bought the dip and breathed a sigh of relief that a debt-ceiling agreement was reached in the Senate.



The Dow Jones Industrial Average outperformed with a 1.2% gain, while the Nasdaq Composite increased just 0.1% and the Russell 2000 decreased 0.4%.

Eight of the 11 S&P 500 sectors closed higher, led by energy (+5.0%) with a 5% gain and financials (+2.3%) with a 2% gain. These groups helped drive the outperformance of the Russell 1000 Value Index (+1.2%) versus the Russell 1000 Growth Index (+0.3%). Conversely, the real estate (-0.8%), health care (-0.3%), and communication services (-0.1%) sectors closed lower.

Among the many issues overhanging the market (infrastructure, supply chain disruptions, raw material shortages, and inflation, to name a few), lawmakers moved to make the debt ceiling an issue

for another day. The Senate passed a bill Thursday to extend the debt ceiling by \$480 billion until Dec. 3.

The news was the basis for a large chunk of the 3.3% gain in the S&P 500 from Wednesday's intraday low to Thursday's intraday high. The benchmark index, however, saw some resistance near the underside of its 50-day moving average (4438), and risk sentiment was challenged on Friday following the release of a mixed September employment report.

September nonfarm payrolls increased by only 194,000 (Briefing.com consensus 450,000), which led some to reasonably argue that the Fed could delay its taper announcement past November. Beneath the headline number, however, were figures that supported the case for tapering sooner rather than later.

Specifically, private sector payrolls increased by 317,000 (Briefing.com consensus 385,000); the unemployment rate was 4.8% (Briefing.com consensus 5.1%), versus 5.2% in August; and average hourly earnings increased by 0.6% (Briefing.com consensus 0.4%).

The latter reflected inflation pressures stemming from supply-related constraints. Rising oil prices and interest rates further reflected inflation concerns/expectations. WTI crude briefly topped \$80 per barrel for the first time since 2014 while the 10-yr yield climbed 15 basis points to 1.60%.

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