CNBC Daily Open: September sell-off, October bounce?

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Traders work on the floor of the New York Stock Exchange during afternoon trading in New York City on Sept. 26, 2023.
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What you need to know today

Bad quarter for markets

U.S. stocks were mixed Friday, with the Nasdaq Composite the only major index to inch up. But all indexes fell for the quarter. Markets in China, Hong Kong and South

Korea were closed Monday for holidays. Japan's Nikkei 225 edged up 0.09% as Japanese manufacturing sentiment in the third quarter brightened more than expected.

World Bank cuts growth forecast

The World Bank trimmed its 2023 growth forecast for developing economies in East Asia and the Pacific from 5.1% to 5%. While the bank left its 2023 estimate for China unchanged, it revised its 2024 forecast for the country from 4.8% to 4.4%. China's "longer-term structural factors," elevated debt levels and property sector weakness were cited by the organization as reasons for the downgrade.

China's growing demand for commodities

Despite the World Bank's downgrade of China's growth prospects, China's demand for commodities has been growing at "robust rates," according to Goldman Sachs. Year on year, the country's demand for copper, iron ore and oil have risen more than Goldman's forecast. Meanwhile, China's factory activity in September expended for the first time since April, also beating expectations.

Shutdown suspended

The U.S. Senate passed a last-minute spending bill Saturday, narrowly avoiding a government shutdown. However, the bill merely allows the U.S. government to stay open — and lawmakers to thrash out a more permanent funding legislation — for 45 more days. The bill notably leaves out new funding for Ukraine's ongoing war with Russia.

[PRO] Jobs week

This week's all about the labor market. The Job Openings and Labor Turnover Survey for August comes out Tuesday, giving an insight into how many workers voluntarily left employment — a key indicator of employees' confidence in finding a new job. And September's jobs report will be released Friday, showing if the jobs market is still tight, as recent data on jobless claims have suggested.

The bottom line

Even a cooler-than-expected core personal consumption expenditures index reading— an increase of just 0.1% for the month! — couldn't cheer investors.

Squeezed by September's seasonality, stocks mostly fell Friday. The S&P 500lost 0.27%, the Dow Jones Industrial Averagefell 0.47%, but the Nasdaq Composite climbed 0.14%.

All three indexes ended September in the red. The S&P was down 4.87% and the Nasdaq fell 5.81% — both indexes' worst monthly performance since December. The Dow lost 3.5%, its worst showing since February.

When viewed on a quarterly basis, the numbers are actually better, indicating how bad September was for stocks. The S&P retreated 3.65%, the Dow declined 2.62% and the Nasdaq sank 4.12%, its biggest fall since the second quarter of 2022.

A "deeply oversold condition is starting to develop," Wolfe Research analyst Rob Ginsberg said in a Thursday note. Just 15% of stocks are trading above their 50-day moving average, said Ginsberg.

It's an observation echoed by Adam Turnquist, chief technical strategist at LPL Financial. Turnquist noted that the relative strength index of the S&P — a measure of the momentum of stocks — slid to the lowest level in 12 months, suggesting stocks reached oversold levels this week.

While being oversold doesn't guarantee stocks will bounce, that condition suggests stocks are cheap relative to their recent price range, making it "easier for [stocks] to go higher," Katie Stockton, founder and managing partner at Fairlead Strategies, told CNBC. This might be a good time for intrepid investors to wade into the waters.

After all, October's historically a winning month for stocks, according to data from the Stock Trader's Almanac. Between 1950 and 2021, the S&P has ended October 0.9% higher on average. Here's hoping October brings some relief to the scorching summer heat we've had to endure in markets.