



Big Sky, Montana

WEEK OF DECEMBER 4, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Personal income and spending growth slowed in October.
2. **Financial market data:** Falling inflation and a dovish Federal Reserve (Fed) supported small-caps and U.S. Treasuries.
3. **Looking ahead:** This week, we expect data on employment as well as service sector and consumer confidence.



## Report Releases: November 27–December 1, 2023

### New Home Sales October (Monday)

New home sales fell more than expected in October as the 10-year Treasury yield drove mortgage rates higher. The 10-year reached a high of 4.996 percent on October 19, keeping demand at bay.

- Expected/prior month existing home sales monthly change: -5%/-5.6%
- Actual existing home sales monthly change: -5.6%



### Conference Board Consumer Confidence Index November (Tuesday)

Consumer confidence rose from a downwardly revised 99.1 in October to 102 in November. This better-than-expected result was driven by improved consumer expectations for future economic conditions.

- Expected/prior month consumer confidence: 101/99.1
- Actual consumer confidence: 102



### Personal Spending and Personal Income October (Thursday)

Personal income and spending continued to rise in October, marking seven straight months with consumer spending growth.

- Expected/prior personal income monthly change: +0.2%/+0.4%
- Actual personal income change: +0.2%
- Expected/prior personal spending monthly change: +0.2%/+0.7%
- Actual personal spending change: +0.2%



### ISM Manufacturing November (Friday)

Manufacturer confidence was unchanged in November, which was slightly below economist expectations for modest improvement. The index remained in contractionary territory, signaling continued headwinds for the manufacturing industry.

- Expected/prior ISM Manufacturing index: 46.7/47.8
- Actual ISM Manufacturing index: 46.7



## >> The Takeaway

- Rising rates in October slowed new home sales but not personal spending.
- Consumer confidence rose in November, and ISM Manufacturing met expectations.

## Financial Market Data

### Equity

| Index                 | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|-----------------------|--------------|---------------|--------------|----------|
| S&P 500               | 0.83%        | 0.60%         | 21.52%       | 14.73%   |
| Nasdaq Composite      | 0.41%        | 0.56%         | 37.76%       | 25.88%   |
| DJIA                  | 2.60%        | 0.86%         | 11.68%       | 7.56%    |
| MSCI EAFE             | 0.40%        | 0.26%         | 12.57%       | 10.42%   |
| MSCI Emerging Markets | 0.20%        | -0.50%        | 5.17%        | 3.52%    |
| Russell 2000          | 3.12%        | 2.97%         | 7.29%        | -0.02%   |

Source: Bloomberg, as of December 1, 2023

The rally in U.S. equity markets broadened last week, with the Dow Jones and Russell 2000 leading the way. Fed board member Christopher Waller stated that he sees “no reason for rates to remain relatively high” to accomplish the central bank’s goal of 2 percent inflation. As a result, we saw smaller companies and sectors that were pressured by higher rates rally. Real estate was the top performing sector, followed by materials and industrials. Communication services, energy, and technology were the worst performing sectors.

### Fixed Income

| Index             | Month-to-Date | Year-to-Date | 12-Month |
|-------------------|---------------|--------------|----------|
| U.S. Broad Market | 0.86%         | 2.51%        | 0.70%    |
| U.S. Treasury     | 0.75%         | 1.42%        | -0.31%   |
| U.S. Mortgages    | 1.08%         | 1.79%        | -0.02%   |
| Municipal Bond    | 0.16%         | 4.15%        | 3.94%    |

Source: Bloomberg, as of December 1, 2023

Bond markets continued their recent rally as global inflation continued to surprise to the downside, leading to greater appetite for fixed income securities. The 10-year Treasury yield fell 24.8 basis points (bps).

### >> The Takeaway

- The recent rally broadened as Fed speak supported small-cap stocks.
- Treasuries also rallied as falling inflation drew greater interest to these assets.



## Looking Ahead

A good mix of economic data is scheduled for release this week. The biggest news will be Friday's employment report for November.

- The week kicks off Tuesday with the release of **ISM Services index** for November. Service sector confidence is expected to rise in November and remain in expansionary territory for the 11th consecutive month.
- On Wednesday, we expect the release of **trade balance data** for October. The international trade deficit is set to increase modestly, due in part to a 1.7 percent slowdown in goods exports.
- Lastly, the **employment report** and **University of Michigan consumer sentiment survey** is expected Friday. Economists expect to see 175,000 jobs were added during the month, which would be an uptick from the 150,000 jobs reported in October. The unemployment rate is set to remain unchanged at 3.9 percent. The first estimate for consumer sentiment in December is set to show slightly higher confidence after the index fell to a six-month low in November.







Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance

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of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000<sup>®</sup> Index measures the performance of the 2,000 smallest companies in the Russell 3000<sup>®</sup> Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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