



Bella Vista, Arkansas

WEEK OF NOVEMBER 13, 2023

Market Update

Quick Hits

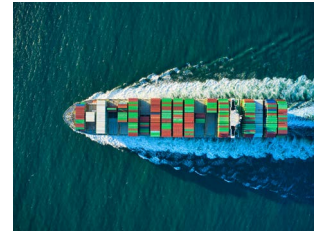
1. **Report releases:** Consumer sentiment fell for the second consecutive month as shoppers appear to believe inflation will remain persistent.
2. **Financial market data:** Investors continued to seek shelter in mega-cap tech names.
3. **Looking ahead:** This week's data will provide data on inflation, retail sales, and housing.

Report Releases: November 6–10, 2023

Trade Balance September (Tuesday)

The trade deficit widened modestly in September due to a sharp rise in imports. Despite the increase, the monthly trade deficit remained well below record levels from early 2022.

- Expected/prior trade balance: $-\$59.8$ billion/ $-\$58.7$ billion
- Actual trade balance: $-\$61.5$ billion



Consumer Credit September (Wednesday)

Consumer credit increased $\$9.06$ billion in September, reversing some of the losses from the $-\$15.63$ billion report in August and beating average expectations of $\$7.47$ billion. This figure will be closely monitored over the next several months as we enter the holiday season.



MBA Mortgage Applications Week Ending November 3 (Wednesday)

Mortgage applications rose 2.5 percent, better than the previous figure of -2.1 percent, as the recent decline in 10-year Treasury yields from the 5 percent level supported increased mortgage demand.



Preliminary University of Michigan Consumer Sentiment Index November (Friday)

Consumer sentiment fell more than expected in November due in part to rising short- and long-term inflation expectations. Lower-income and younger consumers had the largest declines in sentiment.

- Expected/prior month consumer sentiment index: 63.7/63.8
- Actual consumer sentiment index: 60.4



>> The Takeaway

- In a relatively quiet week, consumer credit and mortgage applications fared slightly better than expected.
- Despite the bounce back in consumer credit, consumer expectations remain suppressed amid elevated inflation expectations.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.35%	5.34%	16.60%	12.43%
Nasdaq Composite	2.40%	7.41%	32.76%	22.91%
DJIA	0.72%	3.80%	5.29%	3.78%
MSCI EAFE	-0.90%	3.34%	6.17%	7.77%
MSCI Emerging Markets	0.02%	3.65%	1.44%	4.07%
Russell 2000	-3.11%	2.65%	-1.92%	-7.98%

Source: Bloomberg, as of November 10, 2023

U.S. large cap growth continued its rally, whereas small-caps and international markets were more subdued. Despite a weak 30-year auction and rising inflation expectations, mega-cap tech names held up well on the potential for their large cash piles and low interest-bearing debt to continue to act as margins of safety. Energy was the worst performing sector as West Texas Intermediate crude slowed on demand softening. Other struggling sectors were real estate, materials, and health care.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	2.00%	-0.82%	0.44%
U.S. Treasury	1.56%	-1.20%	-0.43%
U.S. Mortgages	2.48%	-1.91%	-0.88%
Municipal Bond	2.66%	0.38%	3.58%

Source: Bloomberg, as of November 10, 2023

Several factors were at play in fixed income markets. Yields clawed back some of their recent declines, with the 2-year Treasury yield climbing above 5 percent and the 30-year closing the week at 4.73 percent after hitting a low of 4.63 percent on Wednesday. Hawkish talk from the Federal Reserve (Fed), consumer inflation expectations, and a lack of demand in the 30-year Treasury auction were seen as key drivers.

>> The Takeaway

- Investors tend to flock to mega-cap names for safety amid a potentially higher-for-longer rate environment.
- Treasuries continued to be volatile; inflation expectations have bounced off the June low.

Looking Ahead

This week will be full of important economic data releases focusing on inflation, retail sales, and housing.

- The economic data releases will begin on Tuesday with the **Consumer Price Index** for October. Consumer inflation is set to increase modestly in October, with year over year price growth expected to drop from 3.7 percent to 3.3 percent during the month.
- Wednesday will see the release of **Retail Sales** for October. Retail sales are expected to fall modestly in October, in part due to a notable drop in gasoline prices during the month. Core sales, which strip out the impact of volatile auto and gas sales, are set to increase modestly in October.
- Thursday and Friday's data will focus on housing. Thursday will see the release of the **NAHB Housing Market Index** for November. Home builder confidence is expected to remain unchanged in November, which would leave the index in contractionary territory. Friday will see the release of **Building Permits and Housing Starts** for October. These two measures of new home construction are both expected to drop modestly in October.





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Nicole Ellis

Pickler Wealth Advisors
1135 Halle Park Circle | Collierville, TN 38017

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Authored by the Investment Research team at Commonwealth Financial Network®

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