



## MARKET VIEW WEEKLY

November 24<sup>th</sup>, 2023



### ECONOMIC REVIEW<sup>1</sup>

- In a light week of economic data releases, the Conference Board's Leading Economic Index (LEI) and October's initial jobless claims drew the most attention as investors monitor slowing growth and the possibility of realizing a soft landing.
  - Despite the Thanksgiving holiday interruption, stocks notched their fourth consecutive week of gains, and all three major U.S. indices are on pace for their best monthly performance in more than a year.<sup>2</sup>
- LEI fell by 0.8% in October, more than the expected decline and the previous month's drop of 0.7%.
  - Consumer Expectations for Business Conditions and ISM New Orders pulled the broader index to its largest decline since April.
  - LEI has now been negative for 19 consecutive months and resumed signaling a recession after a pause in September.
- The number of Americans filing for unemployment benefits (initial claims) fell by 24,000 to 209,000 in the week ending November 18<sup>th</sup>.
  - Jobless claims dropped sharply from a three-month high (233,000) the previous week and well below market expectations (225,000).

#### How do LEI and the jobless claims impact you?

- To some degree, LEI seems to have lost its predictive power of late, so yet another negative reading should not overly worry investors.
  - The index heavily weights manufacturing data, which has become less critical to U.S. economic activity through the years.
  - On average, there is a lag of 10.6 months between a peak in the index and a recession – we are currently 22 months beyond the most recent peak in 2021, and many are still hopeful for a soft landing.
- Initial claims demonstrated that the labor market remains strong as Americans applying for benefits fell to a five-week low.
  - However, hiring also slowed; employers added just 150,000 jobs in October – the smallest monthly increase since June.<sup>3</sup>



### A LOOK FORWARD<sup>1</sup>

- The first revision of Q3 GDP figures, Personal Consumption Expenditures (PCE), and a plethora of Fed speakers highlight a more normal slate of data this week.

#### How do GDP, PCE, and 'Fed speak' impact you?

- Economic growth, inflation, and the labor market are significantly important to the Fed as committee members contemplate the end of this monetary tightening cycle, so it will be important for investors to monitor how these central bank officials discuss and weigh these new data points as they emerge.



## MARKET UPDATE<sup>4</sup>

Market Index Returns as of 11/24/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.02%	6.59%	20.52%	15.14%	9.60%	13.55%
NASDAQ	0.90%	7.94%	37.20%	28.03%	6.44%	16.49%
Dow Jones Industrial Average	1.29%	5.95%	8.84%	5.27%	7.97%	10.18%
Russell Mid-Cap	1.11%	3.74%	7.80%	3.10%	4.47%	9.27%
Russell 2000 (Small Cap)	0.56%	1.47%	4.05%	-1.75%	0.63%	5.38%
MSCI EAFE (International)	1.06%	4.71%	12.12%	11.13%	3.56%	6.17%
MSCI Emerging Markets	0.47%	3.08%	4.96%	6.93%	-4.61%	2.73%
Bloomberg US Agg Bond	-0.09%	1.68%	0.46%	0.20%	-4.76%	0.50%
Bloomberg High Yield Corp	0.46%	2.31%	8.31%	7.65%	1.09%	4.04%
Bloomberg Global Agg	0.17%	2.66%	0.39%	0.66%	-6.62%	-0.95%



## OBSERVATIONS

- The major averages each notched their fourth consecutive positive week. The S&P 500 added just over 1%, while the Nasdaq trailed slightly (0.9%) and the Dow led the way (1.29%), supporting the broadening market theme market participants have seen of late.
- Small-caps recorded more tepid returns (0.56%) after a very strong previous week, while Mid-Caps were middling (1.11%).
- Both Developed International and Emerging Market stocks were positive on the week.
- The U.S. Aggregate Bond Index was slightly negative while global fixed income and corporate credit were positive.



## BY THE NUMBERS

- **Bill Belichick Is on the Verge of becoming the NFL's Biggest Loser:** When the New England Patriots routinely churned out double-digit win seasons, Bill Belichick's march toward becoming the NFL's winningest coach ever seemed like an inevitability. But the team's recent nosedive has put him on the verge of a less desirable record: most all-time losses. The Patriots' loss to the Giants on Sunday marked a new low for the franchise under Belichick. Their offense remained helpless, even against one of the NFL's worst teams, and it dropped them to 2-9 on the season. It also added the 161st regular-season loss to his ledger, putting him four shy of the historic mark. If New England keeps losing at its current rate, Belichick will reach the record before the season is over. And with 300 wins, he's still years away from potentially chasing down Don Shula's 328 regular-season victories—if he's actually afforded the opportunity to continue coaching.<sup>5</sup>
- **Investors See Interest-Rate Cuts Coming Soon, Recession of Not:** Wall Street is gearing up for rate cuts. Twenty months after the Federal Reserve began a historic campaign against inflation, investors now believe there is a much greater chance that the central bank will cut rates in just four months than raise them again in the foreseeable future. Interest-rate futures indicated last week a roughly 60% chance the Fed will lower rates by a quarter-of-a-percentage point by its May 2024 policy meeting, up from 29% at the end of October, according to CME Group data. The same data has pointed to four cuts by the end of the year.<sup>6</sup>

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## *Economic Definitions*

**Conference Board Leading Economic Index:** Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

**GDP:** Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

**Initial Jobless Claims:** Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**ISM Manufacturing Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America.

## *Index Definitions*

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Bloomberg Barclays Municipal Bond Index:** The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

### *Disclosures*

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<sup>1</sup> Data obtained from Bloomberg as of 11/24/2023.

<sup>2</sup> [Stocks Rise for Fourth Consecutive Week - WSJ](#)

<sup>3</sup> [It's Black Friday. How Are American Consumers Doing? \(wsj.com\)](#)

<sup>4</sup> Data obtained from Morningstar as of 11/24/2023.

<sup>5</sup> [Bill Belichick Is on the Verge of Becoming the NFL's Biggest Loser - WSJ](#)

<sup>6</sup> [Investors See Interest-Rate Cuts Coming Soon, Recession or Not - WSJ](#)



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