



MARKET VIEW WEEKLY

December 1st, 2023



ECONOMIC REVIEW¹

- Closing out a month of strong returns across investment classes, the second reading for the third quarter Gross Domestic Product (GDP) and the Personal Consumption Expenditures Price Index (PCE) were on the mind of investors to set the table for the rest of the year.
- The second reading for the third quarter's GDP came in at 5.2%, signaling that the economy grew at an annualized rate of 5.2% during the third quarter.
 - This surpassed expectations of 5.0% in a year that has been characterized by surprisingly strong upside economic data.
 - Around 26.9% of the increase to GDP came from a change in inventory levels, which is not seen as expansionary for the economy.²
 - Regardless of this, the print was still above the long-term 2% average growth rate of GDP.
- PCE, which is a measure of price levels, came in softer than anticipated, suggesting that inflation is continuing to moderate.
- Year-over-year PCE came in at 3.0%, slightly below the forecasted 3.1%. The month-over-month number showed no change from last month at 0.0%, below the anticipated 0.1%.
 - A continuation of disinflation bodes well for the consumer, which may be beginning to feel pressure.

How does GDP and PCE data impact you?

- GDP is the most important measure of economic activity, and its growth is crucial for financial asset performance.
- Strong GDP readings, including the third quarter's, continue to signal the possibility of a "soft landing" where the economy remains strong, and inflation tames.
- PCE is the other half of the soft-landing narrative, especially given that core PCE is the Federal Reserve's (Fed's) favorite measure to gauge inflation.
 - Continued moderation in the core reading excludes energy and food prices, which influence consumer spending habits.
 - If both readings continue to fall in conjunction, the Fed should be able to change its focus from reining in inflation to supporting economic growth.



A LOOK FORWARD¹

- The unemployment rate, and nonfarm payrolls from November will be released next week. The strength of the labor market is largely thought to have kept the U.S. out of a recession thus far.

How does labor market data impact you?

- In addition to inflation and GDP, the labor market is one of the key areas that the Fed monitors when making decisions for the path of interest rates. With the Fed meeting on December 13th, this will be the last batch of employment data they see for the rest of the year.



MARKET UPDATE³

Market Index Returns as of 12/1/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.83%	7.47%	21.52%	14.73%	9.50%	12.65%
NASDAQ	0.41%	8.38%	37.76%	25.88%	5.84%	15.31%
Dow Jones Industrial Average	2.60%	8.71%	11.68%	7.56%	8.85%	9.60%
Russell Mid-Cap	2.85%	6.70%	10.87%	4.66%	5.34%	9.13%
Russell 2000 (Small Cap)	3.12%	4.63%	7.29%	-0.02%	1.78%	5.40%
MSCI EAFE (International)	0.40%	5.13%	12.57%	10.42%	3.44%	6.05%
MSCI Emerging Markets	0.20%	3.29%	5.17%	3.52%	-4.82%	2.24%
Bloomberg US Agg Bond	2.04%	3.76%	2.51%	0.70%	-4.06%	0.88%
Bloomberg High Yield Corp	1.30%	3.65%	9.72%	8.04%	1.37%	4.22%
Bloomberg Global Agg	1.47%	4.17%	1.87%	0.53%	-6.24%	-0.65%



OBSERVATIONS

- The major equity indices each notched their fifth consecutive positive week. The S&P 500 added 0.83%, while the Nasdaq trailed slightly, up only 0.41% and the Dow led the way up 2.60%, supporting the broadening market theme market participants have seen of late.
- Small-caps recorded their second strong week in the past three, up 3.12%, and Mid-Caps showed the same spark growing 2.85%.
- Both Developed International and Emerging Market stocks were positive on the week but trailed the major U.S. indices.
- The U.S. Aggregate Bond Index was up slightly over 2%, and both corporate credit and global bonds rose as well.



BY THE NUMBERS

- **No More Dry Burgers, McDonald's Overhauls Its Biggest Item:** The changes, which are now rolling out in the U.S., include cooking their burgers in smaller batches, and increase to the amount of sauce per burger, a new buttery brioche bun, fresher lettuce and pickles, and meltier cheese. More than 50 tweaks are being made to the McDonalds process, whose assembly line-like nature puts the "fast" in fast food. The changes come as an effort to ward off higher-end, fast-casual burger chains like Five Guys, Smashburger, and Shake Shack, which produce a higher quality burger at a higher price point. McDonalds is not alone in rolling out changes, their closest competitor, Burger King, in the midst of their burger-revamp which includes flame-broiling their burgers.⁴
- **George Santos Expelled From Congress in House Vote:** The vote passed 311-114, after needing 290 votes (two-thirds of the House). Santos, who was serving his first stint in office after being elected in 2022, has struggled with controversy since the campaign trail. The vote to expel Santos came after the House Ethics Committee released a report that found evidence of false election disclosures, illegal use of campaign money, and fabrications of personal history related to his resume. The lawmaker is currently facing a slew of charges from New York Federal Prosecutors and has recently settled with Brazilian authorities on fraud charges from 2008.⁵

Economic Definitions

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.

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.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

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.

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¹ Data obtained from Bloomberg as of 12/01/2023.

² [Gross Domestic Product \(Second Estimate\) Corporate Profits \(Preliminary Estimate\) Third Quarter 2023 | U.S. Bureau of Economic Analysis \(BEA\)](#)

³ Data obtained from Morningstar as of 12/01/2023.

⁴ [No More Dry Burgers: McDonald's Overhauls Its Biggest Item - WSJ](#)

⁵ [George Santos Expelled From Congress in Tense House Vote - WSJ](#)



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