

This month's Market Minute reflects the views of our Investment Office and was composed by

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### **OVERVIEW**

The "Fed is done" and soft-landing narratives gained increasing traction in November and spurred the S&P 500 to the second-best November since 1980. Meanwhile, falling interest rates—10-Yr U.S. Treasury yield fell -60bps in November—sparked a rally in the bond market and the Bloomberg Aggregate Index recorded its best month since May 1985<sup>1</sup>. What galvanized the markets was simply economic data that mildly surprised and eased concerns for additional Fed rate hikes. U.S. jobs grew at a healthy pace in October as the US economy added 150k new jobs, however, this figure was below expectations for new jobs (consensus was for 180k)<sup>1</sup>. The headline CPI figure fell to 3.2% year-over-year, again below consensus expectations, which were 3.3%<sup>1</sup>. Beating expectations on the upside, the holiday shopping season kicked off with a bang. During the five-day stretch between Thanksgiving and Cyber Monday a new record of 200.4 million consumers shopped, surpassing last year's 196.7 million. The National Retail Federation now expects holiday season shopping (Nov-Dec) to reach a new record of \$957-\$967 billion<sup>2</sup>. As long as the U.S. consumers are employed, they love to shop.

### **U.S. EQUITY MARKETS** As of November 30, 2023

U.S. EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
DJIA	9.2%	7.8%	10.7%	6.2%
S&P 500	9.1%	6.8%	20.8%	13.8%
Russell 2000	9.0%	1.6%	4.1%	-2.6%
Russell 1000 Growth	10.9%	9.3%	36.6%	26.2%
Russell 1000 Value	7.5%	3.7%	5.6%	1.3%

As was mentioned, U.S. equities had a banner month. Everything gained solidly in November, led by midcaps. The Russell Midcap Index gained +10.2%, Russell 2000 Index (small caps) gained +9.0%, the S&P 500 Index (large caps) gained +9.1%. Among large and mid-cap stocks, growth-oriented stocks outperformed value-oriented stocks, but with small cap names there was little difference between growth and value. After three straight months of declines in US equities—the Russell 3000 fell -1.9% in August, -4.8% in September, and -2.7% in October—November was a welcome turnaround and November's equity gains have nearly fully offset the declines from August to October.

### **INTERNATIONAL EQUITY** As of November 30, 2023

INTERNATIONAL EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
MSCI ACWI ex USA	9.0%	4.5%	10.1%	9.3%
MSCI EAFE	9.3%	4.9%	12.3%	12.4%
MSCI Emerging Markets	8.0%	3.8%	5.7%	4.2%
MSCI EAFE Small Cap	10.1%	3.6%	5.5%	6.6%

International equities also fared well in November, led by international small cap stocks. The MSCI EAFE Small Index gained +10.1% in November while its international developed market large cap peers (MSCI EAFE Index) gained +9.3%. Similar to the US, growth-oriented stocks outperformed value-oriented stocks in the large caps space—MSCI ACWI ex US Growth +10.4% vs MSCI ACWI ex US Value +8.3%. Emerging markets also gained in November (MSCI EM Index +8.0%) but lagged behind both US and international developed markets-in part due to Chinese equities (MSCI China Index) which only gained +2.5% for the month. Non-US equity returns were aided modestly by a weakening of the US dollar against a broad basket of developed and emerging market currencies.

#### **FIXED INCOME** As of November 30, 2023

FIXED INCOME MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
BarCap US Aggregate	4.5%	2.9%	1.6%	1.2%
BarCap Global Aggregate	5.0%	3.8%	1.5%	2.0%
BarCap US High Yield	4.5%	3.3%	9.4%	8.7%
JPM Emerging Market Bond	5.8%	4.3%	5.4%	5.8%
BarCap Muni	6.3%	5.4%	4.0%	4.3%

As stated in the beginning, the plunge in interest rates sparked a rally in the bond market that propelled the Bloomberg Aggregate Index to 4.5%, its best month since May 1985<sup>1</sup>. This wasn't just a quality rally as even so called "risk" assets delivered impressive returns – the Bloomberg High Yield index was up +4.5%<sup>1</sup> while the JPMorgan Emerging Markets Bond Index total return was + 5.8%<sup>3</sup>. But the real stars in the November rally were long duration assets – the Bloomberg 25+ Year Treasury index rose 10.4%, while the Bloomberg 25+ U.S. Corporate (Investment Grade) index soared 12.5%<sup>1</sup>. However, don't get too excited about long duration assets because, year-to-date, that same Bloomberg 25+ U.S. Treasury index is down -6.4%<sup>1</sup>.

#### **CONCLUSION & OUTLOOK**

There are a few signals in markets that suggest that the Fed may be near, if not at, the end of the recent historic rate hiking cycle. As such, market pricing has grown more aggressive on Fed policy easing, with fed funds futures now pointing to five, quarter percentage point, rate cuts next year. But, as Kathy Jones, chief fixed income strategist at Schwab stated, "The market keeps trying to front-run these rate cuts, only to be disappointed."<sup>4</sup>

Investors are an interesting crowd and are easily driven by sentiment. As a whole, they are positive thinkers and believe the market will deliver more dollars in the future than they invested. As we witnessed in November, a little bit of good news goes a long way, but does anyone remember how bad October was for investors? The U.S. Treasury 10-year bond tested 5% and the S&P 500 entered correction territory. The desire to be a winner often clouds one's memory and it's periods like November AND October that remind us how bumpy the road to the Winner's circle can be.

#### **SOURCES**

1 Bloomberg LP

2 <https://nrf.com/media-center/press-releases/thanksgiving-holiday-weekend-sees-record-number-shoppers.11/28/2023>

3 [https://markets.jpmorgan.com/#research.emerging\\_markets.index](https://markets.jpmorgan.com/#research.emerging_markets.index)

4 <https://www.bloomberg.com/news/articles/2023-11-30/biggest-blowout-in-bonds-since-the-1980s-sparks-everything-rally>

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