Weekly Market Update

General Market News

- U.S. rates came down on a holiday-shortened week. On Monday, the 10-year Treasury yield opened at 1.84 percent, dropping from last week's high of 1.97 percent. The 30-year reached a recent high of 2.43 percent and opened Monday at 2.32 percent. The 2-year moved from a high of 1.67 percent to 1.60 percent.
- Domestic markets moved higher last week, with international markets remaining flat and emerging markets moving down. The recent rally showed signs of investors rotating away from cyclicals and into defensive. The focus for investors continues to be the "phase one" deal between the U.S. and China.
- On Tuesday, the *Wall Street Journal* reported that the U.S. and China were having issues with the intellectual property protection and enforcement components of the potential deal. This report came after President Trump's statement on November 8 that he has not agreed to roll back tariffs, although Larry Kudlow, director of the National Economic Council, suggested the two sides are getting close to a deal.
- The top-performing sectors on the week were health care, REITs, and utilities. The worst-performing sectors were energy, financials, discretionary, materials, and financials.
- On Wednesday, the Consumer Price Index (CPI) for October was released. Consumer inflation came in slightly higher than expected, with prices rising 0.4 percent for the month against expectations for a 0.3 percent increase. This brought headline inflation up to 1.8 percent for the year, driven by rising gas prices. Core CPI, which strips out the impact of energy and food prices, increased by only 0.2 percent for the month. Year-over-year core CPI growth fell from 2.4 percent in September to 2.3 percent in October. Overall, this report showed that consumer prices have not been feeling upward pressure from the additional tariffs on Chinese goods that took effect in September.
- Thursday saw the release of the Producer Price Index (PPI) for October. As was the case with consumer inflation, rising gas prices drove headline PPI growth to 0.4 percent, and core PPI saw a 0.3 percent increase. On a year-over-year basis, headline PPI fell to 1.1 percent, down from 1.4 percent in September. Core inflation increased by 1.6 percent over the past year, down from the 2 percent rate in September. Once again, it appears that despite the effect of increasing gas prices, core inflation pressure remains muted.
- On Friday, we finished the week with the release of the October retail sales report. Headline retail sales increased by 0.3 percent, against expectations for more modest 0.2 percent growth. This result was partially due to increased gas prices, as core retail sales grew only 0.1 percent during the month. Despite the miss on core retail sales growth, this was still a positive report, as both headline and core sales returned to growth following disappointing declines in September.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.94	2.14	26.59	17.74
Nasdaq Composite	0.80	2.61	29.43	21.17
DJIA	1.24	2.63	22.85	13.81
MSCI EAFE	0.10	0.47	18.66	12.23
MSCI Emerging Markets	–1.49	0.00	11.17	10.85
Russell 2000	–0.11	1.60	20.52	7.64

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.49	8.31	10.79
U.S. Treasury	–0.78	6.95	9.86
U.S. Mortgages	–0.01	5.97	8.59
Municipal Bond	–0.28	6.64	8.91

Source: Morningstar Direct

What to Look Forward To

The week began with Monday's release of the National Association of Home Builders Housing Market Index, which declined slightly from 71 in October to 70 in November. This decline breaks a four-month streak of increased home builder confidence. Despite the modest pullback in November, home builder confidence still sits near post-recession highs, as cheap borrowing costs continue to drive an uptick in potential buyers. The portion of the index that focuses on future sales increased in November, which indicates that home builders are more optimistic about the next six months for the housing market. Overall, while the decline this month was slightly disappointing, home builder confidence remains high, so there is no immediate cause for concern.

Speaking of home builders, with Tuesday's release of October's building permits and housing starts reports, we'll get a chance to see if the increased confidence has led to faster housing growth. Permits are expected to decline modestly, while starts are slated to increase by a healthy 4.9 percent. These measures of new home construction can be volatile on a month-to-month basis. But over the course of the year, housing starts have trended up. Material costs have come down from 2018 highs, while buyer demand remains strong.

On Wednesday, the Federal Open Market Committee minutes from the October meeting will be released. The committee voted to cut the federal funds rate by 25 basis

What to Look Forward To (continued)

points at this meeting, marking the third straight meeting with a rate cut. Recent comments from Federal Reserve (Fed) chairman Jerome Powell to Congress reiterated the Fed's messaging that further rate cuts are unlikely unless a marked slowdown in economic growth occurs. Economists are looking for any hints in the October minutes as to what type of weakness would lead the Fed to reevaluate that stance. We might also get some interesting commentary regarding the recent volatility in the overnight repurchase market and how the Fed is reacting to this development.

Thursday will see the release of October's existing home sales report. Home sales are expected to grow by 2.1 percent in October, rebounding from a decline of 2.2 percent in September. This result would mark the fourth straight month of year-over-year growth in existing home sales. Housing has been one of the major bright spots in the economy over the past few months, as the return to year-over-year growth in existing home sales demonstrates.

Finally, we'll finish out the week with the second and final reading of the University of Michigan consumer confidence survey for November. Economists expect the index to increase slightly, from 95.7 at the start of the month to 95.8. Continued equity market strength and a better-than-expected jobs report helped boost confidence for the second straight month, following the surprising decline to a three-year low in August. Going forward, higher consumer confidence would be quite welcome, as high confidence levels should help support faster consumer spending growth.

Authored by the Investment Research team at Commonwealth Financial Network.