Weekly Market Update

General Market News

- The 10-year Treasury yield dropped to 1.7 percent last week and opened at 1.78 percent on Monday. The 30-year opened at 2.23 percent after finishing at 2.17 percent last week. The short end of the curve has inverted again, with the 3-year yielding 2 basis points less than the 2-year, which stands at 1.64 percent.
- Global markets posted modest drops across the board. Investors took a risk-off approach as uncertainty regarding the U.S.-China trade deal continued. The week began with bipartisan senate approval of the Hong Kong Human Rights and Democracy Act. As the week progressed, both sides ratcheted up their demands, with China calling for an elimination of tariffs and the U.S. calling for additional agriculture purchases and a higher level of protection for intellectual property.
- The top-performing sectors on the week were health care, financials, utilities, and consumer staples. The worst-performing sectors included materials, REITs, technology, industrials, and consumer discretionary.
- Last 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 increasing 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 housing market over the next six months. Although the decline this month was slightly disappointing, home builder confidence remains high on an absolute basis, so there is no immediate cause for concern.
- On Tuesday, we saw the benefits from high home builder confidence with the release of October's building permits and housing starts reports. Housing starts grew by 3.8 percent during the month, rebounding from a decline in September. Permits also increased in October, growing by 5 percent, against expectations for a modest 0.4 percent decline. Both of these measures can be volatile on a month-to-month basis, but there has been a clear upward trend in the past few months, as home builders continue to add more housing stock.
- On Thursday, October's existing home sales report was released. Sales of existing homes grew by 1.9 percent during the month, following a downwardly revised 2.5 percent decline in September. Despite September's lull in sales, this marks the fourth straight month of year-over-year growth. Low mortgage rates and high confidence levels have helped drive additional buyers into the market, making housing one of the bright spots in the current economic expansion.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	–0.29	2.57	26.33	19.78
Nasdaq Composite	–0.20	2.88	29.68	23.55
DJIA	–0.41	3.33	22.13	16.73
MSCI EAFE	–0.57	0.64	18.17	13.32
MSCI Emerging Markets	–0.01	0.67	11.45	10.78
Russell 2000	–0.45	1.79	19.29	8.35

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.20	8.63	10.81
U.S. Treasury	–0.39	7.36	9.88
U.S. Mortgages	0.02	6.00	8.38
Municipal Bond	0.07	7.02	8.93

Source: Morningstar Direct

What to Look Forward To

Tuesday will see the release of October's new home sales report. It's set to show a 0.8 percent increase for the month, following a 0.7 percent decline in September. New home sales represent a smaller and more volatile portion of total home sales than existing home sales. Nonetheless, a rebound like the one seen for existing home sales would be a positive signal for housing. As demonstrated last week, home builder confidence slipped slightly in November. A better-than-expected result for new home sales would likely go a long way in supporting further increases in home builder confidence.

Also on Tuesday, we'll receive the Conference Board consumer confidence survey for November. Confidence is expected to increase modestly, from 125.9 in October to 126.8 in November. This anticipated increase would offset the decline we saw in October and put us above the 126.3 reading in September. Even with such an increase, however, this index sits well below its high-water marks of last year and earlier this summer. Improving confidence is a major driver of consumer spending growth, so the anticipated increase would certainly be positive. As with the University of Michigan survey, this result may lead to some stronger-than-expected consumer spending.

On Wednesday, the second estimate of third-quarter gross domestic product growth is set to be released. The first estimate for the quarter came in at 1.9 percent on an annualized basis, and economists expect the second estimate to remain unchanged.

What to Look Forward To (continued)

Before release of the first estimate, economists had forecast a more modest 1.6 percent third-quarter growth rate, so the anticipated increase for the second estimate is encouraging. Personal consumption growth is expected to decrease slightly from 2.9 percent in the first reading to 2.8 percent in the second. This result would, however, still be higher than expectations of 2.6 percent growth prior to the first estimate. Overall, while growth appears to be slowing from the faster pace of the first half of the year, it's still growth. As such, the anticipated results would be reassuring.

Wednesday will see the release of the October durable goods orders report. Durable goods are expected to decline by 0.5 percent for the month, following a decline of 1.2 percent in September. As was the case with September's disappointing results, this release is expected to show the negative effects of the General Motors (GM) strike that was active for most of the month. Core orders, which strip out the impact of volatile transportation orders, are expected to make a modest 0.2 percent gain. An increase here in contrast to the decline in headline orders would indicate that business owners are willing to invest despite the headwinds from slowing global trade and the GM strike.

Finally, we'll finish out the week with Wednesday's release of October's personal income and personal spending reports. Both measures are set to increase by 0.3 percent during the month. This would be in line with previously released retail sales data that showed healthy 0.3 percent growth for October. Income and spending continue to increase at similar rates, indicating that the consumer spending growth we've seen this year is well supported.

Authored by the Investment Research team at Commonwealth Financial Network.