

# Weekly Market Update



## General Market News

- The 10-year Treasury yield finished last week unchanged at 1.78 percent and opened at 1.83 percent on Monday. The 30-year also opened the week higher, at 2.27 percent. The Treasury yield curve ended November inverted, with the 1-month yield of 1.62 percent higher than the 3-year yield of 1.61 percent.
- The three major domestic indices were all up last week. The move higher came on the back of easing U.S.-China trade tensions. On Tuesday, U.S. trade negotiators spoke by phone with Chinese officials, with China's Ministry of Commerce stating that they had "reached a consensus on properly resolving relevant issues." This was followed by a statement from President Trump that the U.S. was in the "final throes" of making a deal with China. In addition, third-quarter gross domestic product growth was revised up to 2.1 percent from the 1.9 percent reported in October.
- Last week, the three top-performing sectors were consumer discretionary, technology, and REITs. The three worst-performing sectors included energy, utilities, and industrials.
- On Tuesday, October's new home sales report was released. Sales of new homes came in better than expected, with 733,000 sales against expectations for 705,000. September's sales were also revised upward, from an original estimate of 701,000 to 738,000. This result pushed new home sales to their highest level since July 2007, as low mortgage rates continue to drive additional home buyers into the market.
- Also on Tuesday, the Conference Board Consumer Confidence Index for November was released. Unfortunately, confidence came in worse than expected, falling from 126.1 in October to 125.5 in November, against expectations for a modest increase to 127. This marks the fourth straight month of declines for the index, which is disappointing given last month's strong equity market performance and better-than-expected jobs report. There was some good news in the release, however, as the subcomponent of the index that measures future expectations increased from 94.5 to 97.9, indicating that there may be some room for optimism going forward. Despite the improvement to the expectations index, this is a concerning report as we enter the important holiday shopping season.
- On Wednesday, we had some better-than-expected news with the release of the October durable goods orders report. Durable goods orders grew by 0.6 percent during the month, which was much better than the 0.9 percent decline that economists forecasted. Core demand was equally strong, as core durable goods orders that strip out transportation also grew by 0.6 percent in October, despite the

**General Market News (continued)**

GM strike. This is encouraging, as it shows that business owners are willing to invest despite continued uncertainty from the U.S.-China trade war. Looking forward, with the GM strike well behind us and potential for a “phase one” trade deal between the US and China, we might see increased business investment to finish out the year.

- Wednesday also saw the release of October’s personal income and personal

spending reports. Economists expected 0.3 percent growth for both spending and income, and spending grew by the expected 0.3 percent. Income remained flat for the month, however. Income growth was muted in part by falling interest due to lower rates and declining farmer subsidies, so this disappointing month is not a major concern for now.

## Market Index Performance Data

**EQUITIES**

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	1.04	3.63	27.63	16.85
Nasdaq Composite	1.72	4.65	31.93	20.21
DJIA	0.75	4.11	23.05	13.36
MSCI EAFE	0.52	1.16	18.89	13.71
MSCI Emerging Markets	-0.80	-0.13	10.52	8.01
Russell 2000	2.27	4.10	21.97	7.71

Source: Bloomberg

**FIXED INCOME**

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	-0.05	8.79	10.85
U.S. Treasury	-0.30	7.46	9.87
U.S. Mortgages	0.08	6.06	8.03
Municipal Bond	0.25	7.21	8.65

Source: Morningstar Direct



## What to Look Forward To

On Monday, the Institute for Supply Management (ISM) Manufacturing index was released. This gauge of manufacturer confidence was expected to increase from 48.3 in October to 49.2 in November. Instead, it declined further to 48.1. This is a diffusion index, where values below 50 indicate contraction. So, the decline keeps this section of the economy in a slowdown. Declines in inventories and new orders, as well as employment expectations, weighed on the reading.

Wednesday will see the release of the ISM Nonmanufacturing index, which is expected to show a modest decline from 54.7 in October to 54.5 in November. As is the case with the manufacturing index, this is a diffusion index. Here, values above 50 indicate expansion. While a decline would be disappointing, the index is expected to remain in expansionary territory for November. Accordingly, there's no major cause for concern for the time being. The anticipated decline would leave the index at levels that have historically indicated slow overall economic growth.

On Thursday, October's international trade report is set to be released. Economists believe that the trade deficit will narrow from \$52.5 billion in September to \$48.4 billion in October. Such a result would represent the smallest monthly deficit since June 2018. Previously released advance trade data showed

a drop in both exports and imports of goods during October, with a larger decline in imports causing a shrinking deficit in the trade of goods. Some of the slowdown in imports can be attributed to the GM strike, so November's data may rebound given the end of the strike. Looking forward, exports are not expected to grow meaningfully in the short term unless the U.S.-China trade talks reveal progress.

On Friday, we'll get the November employment report. Expectations are for 190,000 new jobs, which would be a strong showing following October's addition of 128,000 jobs. The unemployment rate is expected to remain flat at 3.6 percent, while average hourly earnings growth should increase to 0.3 percent on a month-over-month basis. Despite the expected acceleration in job growth in November, the pace of expansion has slowed noticeably from 2018 levels.

Finally, we'll finish the week with the first estimate of the University of Michigan consumer confidence survey, which is expected to increase from 96.8 in November to 97 in December. Unlike the Conference Board measure of confidence, this index has been steadily improving for the past few months after hitting a two-year low of 89.8 in August. November's result would mark the fourth straight month of increasing confidence. Even so, the index will still sit below recent highs set in 2018.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. Rev. 12/19.

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