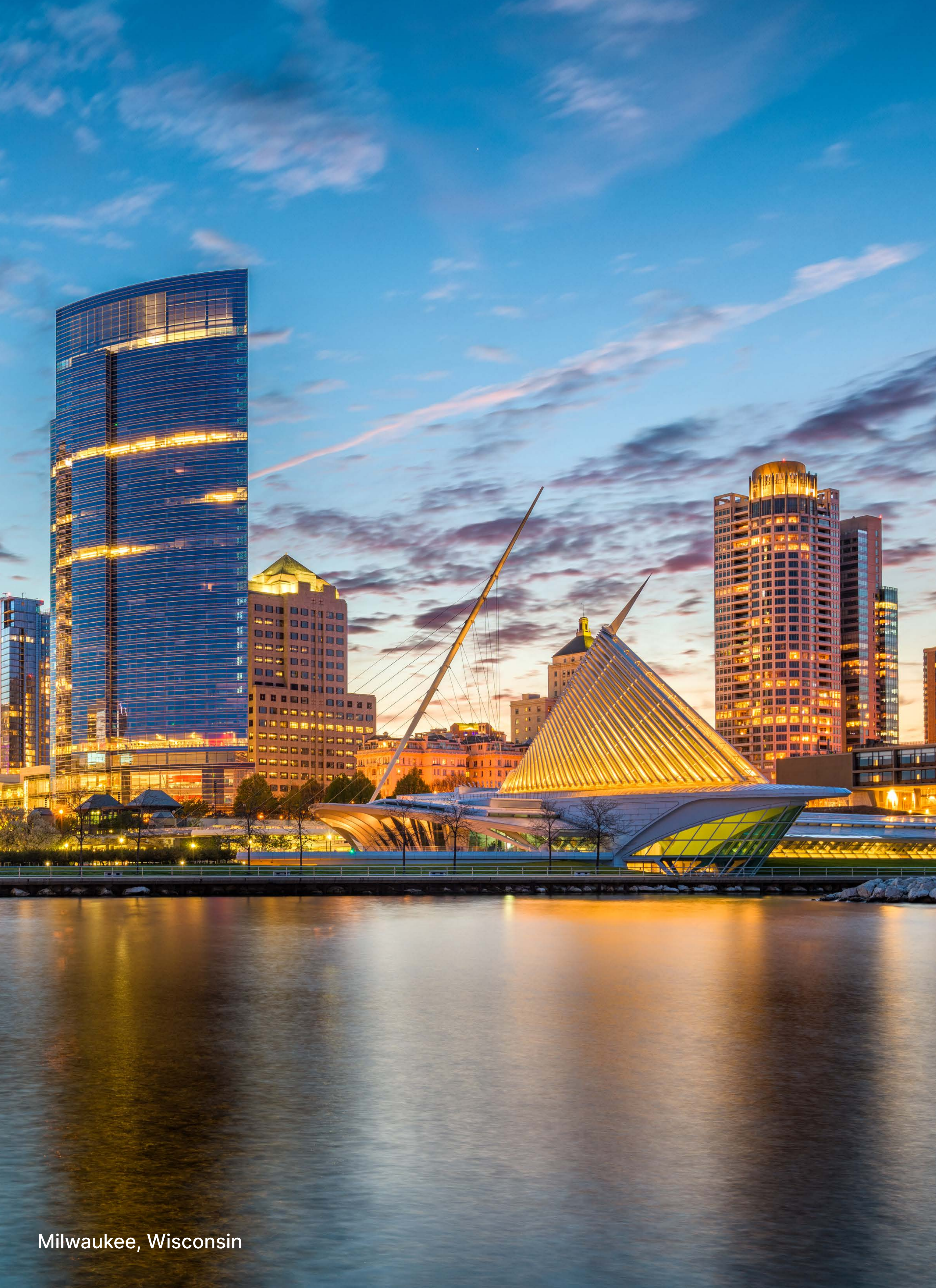


Milwaukee, Wisconsin

WEEK OF DECEMBER 11, 2023

Market Update

Quick Hits

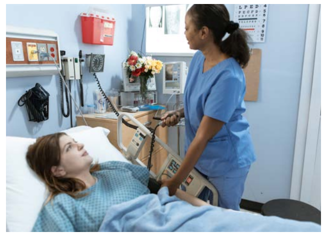
1. **Report releases:** The unemployment rate unexpectedly fell to 3.7 percent in November.
2. **Financial market data:** Employment remained strong but new openings continued to fall.
3. **Looking ahead:** Inflation and the Federal Reserve (Fed) will be the primary focus.

Report Releases: December 4–8, 2023

ISM Services Index
November
(Tuesday)

Service sector confidence improved more than expected in November, supported by faster-than-expected new order growth. The index has remained in expansionary territory throughout the year.

- Expected/prior ISM Services index: 52.3/51.8
- Actual ISM Services index: 52.7



Retail Sales
November
(Wednesday)

The trade deficit widened slightly more than expected in October. Imports rose 0.2 percent and exports fell 1 percent.

- Expected/prior trade balance: –$64.2 billion/–$61.2 billion
- Actual trade balance: –$64.3 billion

Employment Report
November
(Friday)

Hiring accelerated in November; the 199,000 jobs added during the month beat economist expectations. Underlying data also showed signs of continued labor demand; the unemployment rate unexpectedly fell from 3.9 percent in October to 3.7 percent in November.

- Expected/prior change in nonfarm payrolls: +185,000/+150,000
- Actual change in nonfarm payrolls: +199,000

Preliminary University of Michigan Consumer Sentiment Index
December
(Friday)

Consumer sentiment unexpectedly rose to a four-month high. Part of the improvement was due to tumbling inflation expectations, with one-year inflation forecasts falling from 4.5 percent in November to 3.1 percent to start December.

- Expected/prior month consumer sentiment index: 62/61.3
- Actual consumer sentiment index: 69.4

>> The Takeaway

- Service sector and consumer confidence were both higher than expected.
- Employment and trade beat expectations as the U.S. economy remained resilient.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.24%	0.83%	21.81%	18.98%
Nasdaq Composite	0.70%	1.26%	38.73%	32.01%
DJIA	0.04%	0.90%	11.72%	10.64%
MSCI EAFE	0.39%	0.65%	13.01%	11.07%
MSCI Emerging Markets	–0.71%	–1.20%	4.42%	2.29%
Russell 2000	1.00%	4.00%	8.36%	6.36%

Source: Bloomberg, as of December 8, 2023

U.S. equities continued their recent gains as Apple, Nvidia, Alphabet, Meta Platforms, and Tesla supported the modest move higher. Communication services, consumer discretionary, and technology were the top performing sectors and were widely supported by the moves from these companies. Energy, materials, and staples fared worst. West Texas Intermediate (WTI) crude oil fell for the seventh consecutive week, losing 3.8 percent but closing above $70 per barrel.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.01%	2.66%	1.29%
U.S. Treasury	0.86%	1.53%	0.22%
U.S. Mortgages	1.22%	1.93%	0.81%
Municipal Bond	0.72%	4.73%	4.17%

Source: Bloomberg, as of December 8, 2023

Short-term Treasury yields rose but those on the long end of the curve, such as the 30-year, continued their recent move lower. Positive employment data led to questions about near-term Fed policy and potential growth in the short term. The 2-year rose 16 basis points (bps), closing the week just shy of 4.73 percent. The 10-year rose 2 bps to 4.25 percent, whereas the 30-year fell 11 bps to 4.31 percent.

>> The Takeaway

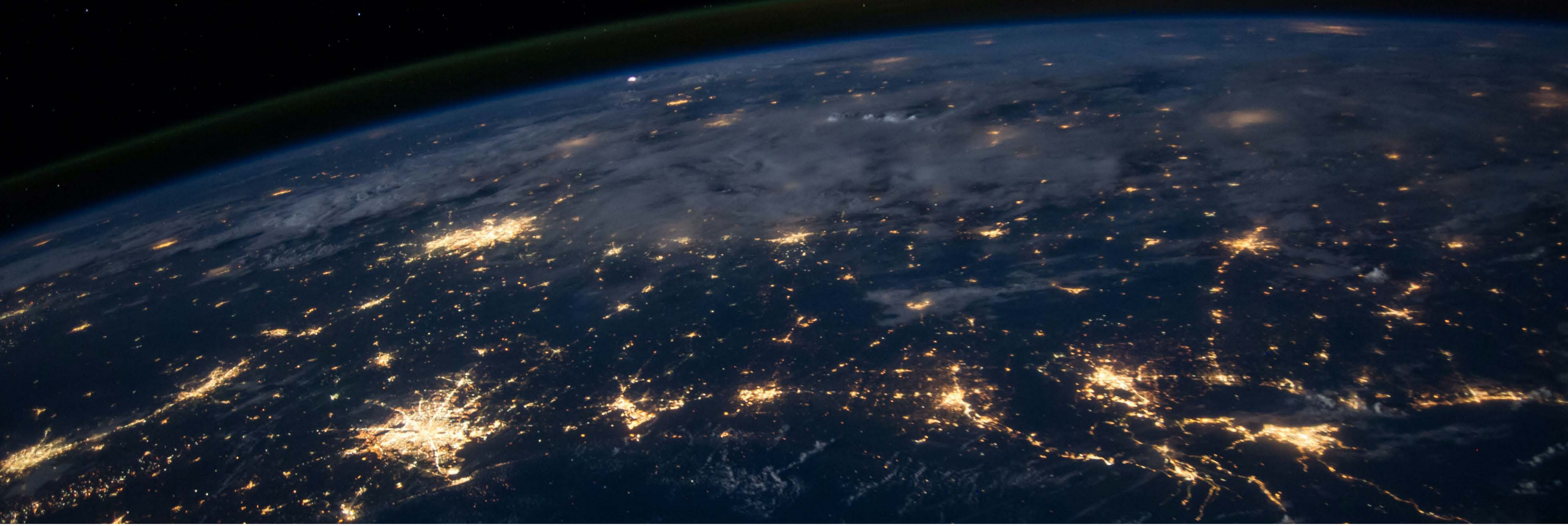
- Several companies in the so-called Magnificent Seven continued to lift technology, communications, and consumer discretionary; energy continued to struggle.
- Strong employment data continues to pose a challenge to the Fed's attempts to hit its 2 percent inflation target.

Market Update—December 11, 2023

Looking Ahead

Inflation and the Fed will be the primary focus this week.

- On Tuesday, we expect the release of the **Consumer Price Index** for November. Consumer inflation is expected to moderate, with year-over-year consumer price growth set to fall from 3.2 percent in October to 3.1 percent.
- The **Producer Price Index** for November will be released on Wednesday. Producer inflation is also expected to show slowing growth, with year-over-year producer inflation set to fall from 1.3 percent in October to 1.1 percent.
- The main event will be the December rate decision by the **Federal Open Market Committee (FOMC)**. The Fed is expected to keep the federal funds rate unchanged at its December meeting. Investors and economists will focus on the post-meeting news release, along with Fed Chair Jerome Powell's news conference, for hints on the path of monetary policy.
- Finally, the **S&P Global's Preliminary US PMIs** for December will be released on Friday. Manufacturing is expected to improve slightly, from 49.4 to 49.5. The service sector is expected to hold steady at 50.8 and remain in expansionary territory.



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