WEEKLY MARKET UPDATE | NOVEMBER 3, 2023

Fed fans a fervent rally.

The economy

- U.S. stocks rallied sharply during the week ending November 3. The market was buoyed by optimism that the U.S. Federal Reserve's (Fed) interest rate-hiking cycle may be ending, as well as signs that the labor market may be cooling, which may reduce the need for further rate increases. Investors shrugged off the Fed's cautionary statement that it would raise rates again if needed.
- As widely expected, the Fed maintained the federal-funds rate in a range of 5.25% to 5.50% following its meeting on October 31-November 1, but did not rule out future interest-rate increases if needed in its ongoing effort to combat inflation. In a statement announcing the continuation of the pause in its rate-hiking cycle, the Federal Open Market Committee (FOMC) stated that it "would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments."
- From the date of the Fed's last rate increase in late July through October 25, the yield on the 10-year U.S. Treasury note rose more than 100 basis points (1.00%). This has prompted speculation that higher long-term yields could slow U.S. economic growth, thereby reducing the need for the Fed to raise the federal-funds rate further. However, after crossing 5%, viewed by some investors as a key psychological threshold, early last week, the 10-year yield has since declined to a six-week low.
- During a news conference following the FOMC meeting, Fed Chair Jerome Powell said, "Inflation has moderated since the middle of last year and readings over the summer were quite favorable. But a few months of good data are only the beginning of what it will take to build confidence that inflation is moving down sustainably toward our goal."
- The Department of Labor reported on Friday that U.S. payrolls expanded by 150,000 in October—down significantly from 336,000 jobs added in September—and the unemployment rate ticked up 0.1 percentage point to 3.9%. The health care and leisure, and government sectors added 58,000 and 51,000 jobs, respectively, in October. In contrast, manufacturing payrolls declined by 35,000, and the transportation and warehousing industry lost 12,000 jobs. Average hourly earnings rose 0.2% for the month and 4.1% year-over-year. The 12-month increase was slightly lower than the 4.3% annual rise in September.
- U.S. consumer confidence, as measured by the Conference Board Consumer Confidence Index®, an indicator of U.S. economic health based on consumer sentiment, declined modestly in October. The Conference Board's Consumer Confidence Index® was down 1.7 points to 106.1 during the month, but indicated that consumers remain optimistic about the U.S. economy. A reading above 100 signals a boost in consumer confidence regarding the future economic situation. The Expectations Index, an indicator of consumers' short-term outlook for income, business, and labor market conditions, dipped 0.8 point to 75.6 during the month. A reading below 80 suggests that consumers believe that there may be a recession in the U.S. over the next 12 months. The Present Situation Index, which reflects consumers' views of current conditions in the business and labor markets, fell 3.1 points to 143.1 in October. According to Dana Peterson, Chief Economist at the Conference Board, "Write-in responses [to the Conference Board survey] showed that consumers continued to be preoccupied with rising prices in general, and for grocery and gasoline prices in particular."
- The Mortgage Bankers Association (MBA) reported that mortgage applications in the U.S. were down 2.1% during the week ending November 2, compared to the previous seven-day period. The MBA's Refinance Index fell 4.0% week-over-week and declined 12.0% versus the same period in 2022, as many current homeowners have mortgages that they were able to secure before interest rates began to rise sharply in the first quarter of last year. The Purchase Index decreased 2.0% and 22.0% for the week and year-over-year, respectively. According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage dipped 0.3 percentage point to 7.76%, but remained near its highest level in 23 years.

Stocks

- Global equities closed up for the week. Developed markets fared better than emerging markets.
- U.S. equities gained ground during the week. Real estate and consumer discretionary were the top-performing sectors, while consumer staples and energy lagged. Growth stocks led value, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 4.57% during the week.
- Global bond markets were up for the week.
- High-yield bonds led the markets, followed by bonds corporate and government bonds.

The Numbers as of November 3, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	4.1%	8.2%	14.8%	655.0
MSCI EAFE ($)	3.1%	3.2%	15.9%	2006.1
MSCI Emerging Mkts ($)	1.2%	-2.7%	8.1%	930.6
US & Canadian Equities				
Dow Jones Industrials ($)	5.1%	2.8%	6.4%	34061.3
S&P 500 ($)	5.9%	13.5%	17.2%	4358.3
NASDAQ ($)	6.6%	28.8%	30.3%	13478.3
S&P/ TSX Composite (C$)	5.8%	2.3%	3.0%	19824.9
UK & European Equities				
FTSE All-Share (£)	2.4%	-1.2%	2.6%	4028.2
MSCI Europe ex UK (€)	3.7%	5.8%	10.3%	1566.6
Asian Equities				
Topix (¥)	3.0%	22.8%	19.7%	2322.4
Hong Kong Hang Seng ($)	1.5%	-10.7%	15.2%	17664.1
MSCI Asia Pac. Ex-Japan ($)	0.9%	-5.2%	9.2%	479.6
Latin American Equities				
MSCI EMF Latin America ($)	1.9%	6.3%	-1.9%	2262.8
Mexican Bolsa (peso)	4.6%	5.7%	2.0%	51236.6
Brazilian Bovespa (real)	4.4%	7.8%	1.2%	118251.7
Commodities ($)				
West Texas Intermediate Spot	-5.9%	0.3%	-8.7%	80.5
Gold Spot Price	0.5%	9.3%	22.3%	1993.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	1.0%	-2.2%	3.8%	436.2
JPMorgan Emerging Mkt Bond	2.0%	1.4%	9.0%	778.8
10-Year Yield Change (basis points*)				
US Treasury	-26	70	42	4.57%
UK Gilt	-26	62	77	4.28%
German Bund	-19	8	40	2.64%
Japan Govt Bond	5	50	67	0.93%
Canada Govt Bond	-24	44	32	3.74%
Currency Returns**				
US$ per euro	1.5%	0.2%	10.0%	1.073
Yen per US$	-0.2%	13.9%	0.8%	149.38
US$ per £	2.1%	2.4%	10.9%	1.238
C$ per US$	-1.4%	0.8%	-0.6%	1.367

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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