Stocks overcome “Fed talk” and interest-rate worries.

The economy

- A sharp rally on Friday lifted the major U.S. equity market indexes into positive territory for the week ending November 10. The late-week upturn was led by mega-cap tech stocks, particularly semiconductor manufacturers. Earlier in the week, optimism that the U.S. Federal Reserve (Fed) may be nearing the end of its interest rate-hiking cycle was shaken by Fed Chair Jerome Powell’s comments during a speech on Thursday, perceived by some investors as an indication that restrictive central bank monetary policy would remain in place. A relatively disappointing auction of 30-year U.S. Treasury bonds also weighed on market sentiment.
- During a speech at the Jacques Polak Annual Research Conference in Washington, D.C., hosted by the International Monetary Fund, Powell noted that, while inflation is slowing, it remains above the central bank’s 2% target rate. Powell said that the Federal Open Market Committee (FOMC) members are “gratified by this progress but expect that the process of getting inflation sustainably down to 2 percent has a long way to go. The labor market remains tight, although improvements in labor supply and a gradual easing in demand continue to move it into better balance.” Powell also commented that the FOMC is “committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation down to 2 percent over time; we are not confident that we have achieved such a stance.”
- The 30-year Treasury yield rose sharply (bond prices move inversely to yields) following the sale of $24 billion in bonds at the auction on Thursday, as demand did not meet expectations. The yield on the long bond ended the day up 13 basis points (0.13%) to 4.77%. This led to concerns that the U.S. government will need to offer higher interest rates on long-term debt to attract investors going forward, thereby increasing its borrowing costs.
- The Federal Reserve Bank of New York (New York Fed) reported that U.S. household debt increased $228 billion to $17.3 trillion during the third quarter of this year—up 1.3% versus the same period in 2022. Credit-card balances grew by $48 billion to $1.08 trillion over the three-month period. The New York Fed noted that the rise in credit-card debt was “consistent with strong consumer spending and real GDP growth.” Credit-card delinquency rates rose across the board, most notably for borrowers between the ages of 30 and 39. Student loan balances increased by $30 billion, ending the quarter at $1.6 trillion. Mortgage debt climbed $126 billion to $12.1 trillion over the period.
- The increase in consumer credit may prove to be a double-edged sword. On the positive side, the numbers indicate that consumer spending remains robust. Conversely, should the U.S. economy slip into recession, the record-high level of consumer debt could lead to more delinquencies in credit payments and a rise in personal bankruptcy filings.
- According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage fell 26 basis points to a five-week low of 7.50% during the week ending November 9. The decrease was in line with the decline in the yield on the 10-year U.S. Treasury note, to which the 30-year mortgage rate is tied (though the 30-year rate is higher than the 10-year Treasury yield to compensate lenders and investors for the credit risk associated with home loans and mortgage-backed securities). However, the rate remained well below the historical trough of 2.65% seen in early January 2021, and was significantly higher than the 52-week low of 6.09% reached on February 2 of this year.

Stocks

- Global equities closed up for the week. Emerging markets fared better than developed markets.
- U.S. equities garnered positive returns during the week. Information technology and telecommunications were the top-performing sectors, while energy and utilities lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield increased to 4.62% during the week.
- Global bond markets lost ground for the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

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The Numbers as of November 10, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.1%	9.4%	9.0%	662.4
MSCI EAFE ($)	0.2%	4.7%	8.8%	2036.1
MSCI Emerging Mkts ($)	0.8%	0.0%	7.5%	956.2
US & Canadian Equities				
Dow Jones Industrials ($)	0.7%	3.4%	1.7%	34283.1
S&P 500 ($)	1.3%	15.0%	11.6%	4415.2
NASDAQ ($)	2.4%	31.8%	24.1%	13798.1
S&P/ TSX Composite (C$)	-0.9%	1.4%	-1.7%	19654.5
UK & European Equities				
FTSE All-Share (£)	-0.8%	-1.9%	-1.4%	3997.6
MSCI Europe ex UK (€)	0.9%	6.8%	5.1%	1582.1
Asian Equities				
Topix (¥)	0.6%	23.5%	20.7%	2336.7
Hong Kong Hang Seng ($)	-2.6%	-13.0%	7.0%	17203.3
MSCI Asia Pac. Ex-Japan ($)	0.6%	-2.7%	7.1%	492.1
Latin American Equities				
MSCI EMF Latin America ($)	-0.2%	10.4%	6.8%	2349.9
Mexican Bolsa (peso)	0.1%	5.8%	0.5%	51294.4
Brazilian Bovespa (real)	2.1%	9.9%	9.9%	120628.7
Commodities ($)				
West Texas Intermediate Spot	-4.1%	-3.8%	-10.8%	77.2
Gold Spot Price	-2.8%	6.2%	10.8%	1936.8
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.2%	-1.4%	0.9%	439.6
JPMorgan Emerging Mkt Bond	-0.4%	1.8%	6.2%	782.4
10-Year Yield Change (basis points*)				
US Treasury	5	74	81	4.62%
UK Gilt	5	67	105	4.33%
German Bund	7	15	71	2.72%
Japan Govt Bond	-8	43	60	0.85%
Canada Govt Bond	11	55	71	3.85%
Currency Returns**				
US$ per euro	-0.4%	-0.2%	4.7%	1.069
Yen per US$	1.4%	15.6%	7.5%	151.51
US$ per £	-1.3%	1.2%	4.3%	1.222
C$ per US$	1.0%	1.8%	3.5%	1.380

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

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