WEEKLY MARKET UPDATE | NOVEMBER 17, 2023

Stocks take off on soft landing hopes.

The economy

- The U.S. equity market posted its third consecutive weekly gain during the period ending November 17. Signs of slowing inflation spurred investors' hopes that the Federal Reserve (Fed) will end its rate-hiking cycle and possibly begin to cut interest rates sooner than expected.
- According to the Department of Labor, the U.S. consumer-price index (CPI) was flat in October after rising 0.4% in September. The CPI advanced at a lower-than-expected rate of 3.2% compared to the same period a year earlier—down sharply from the 3.7% annual rise in September. Core inflation, as measured by the CPI for all items less food and energy, posted a 12-month increase of 4.0%—the smallest year-over-year advance since September 2021. Core inflation rose 0.2% in October versus 0.3% during the previous month. Housing costs comprised the bulk of October's rise in CPI, offsetting lower gasoline prices. Food costs rose 0.3% and 3.3% during the month and over the same period in 2022, respectively.
- The better-than-expected inflation data prompted a rally in the U.S. stock and bond markets on Tuesday, as investors gained confidence that the economy could be primed for a "soft landing," in which growth and inflation slow but the economy does not enter a recession. Both the S&P 500 Index, which is representative of the broad U.S. stock market, and the tech-heavy Nasdaq Composite Index notched their largest one-day gains since April 27 of this year. Additionally, during the week, U.S. Treasury yields declined for all maturities of six months or longer (bond prices move inversely to yields).
- On Tuesday, in a bipartisan vote of 335 to 94, the U.S. House of Representatives (House) approved an agreement to extend the current levels of funding for numerous federal government agencies until early 2024. The approval of the measure required a two-thirds majority (290 votes) in the House. In late September, legislators approved an extension to fund government operations until Friday of this week, as the House has continued to formulate a spending plan for the 2023-2024 fiscal year, which began on October 1. The Senate overwhelmingly approved the extension by a margin of 87 to 11 on Wednesday, and President Joe Biden signed the bill into law the following day.
- On the geopolitical front, Biden and President Xi Jinping of China met in northern California on Wednesday. The leaders of the world's two largest economies agreed to resume military communications in an effort to improve relations between the countries amid speculation about China's intention to invade Taiwan, as well as the Xi administration's support of Russia in its ongoing conflict with Ukraine. At a news conference following the meeting, Biden noted that he and Xi had agreed that if there were concerns about "anything between our nations, or happening in our region, we should pick up the phone and call."
- There are indications that the job market in the U.S. is cooling. According to the Department of Labor, initial unemployment insurance claims—a barometer of the health of the labor market—rose by 13,000 to a three-month high of 231,000 during the week ending November 11. The total represented a notable increase from the 211,000 claims filed over the same period in 2022. Furthermore, the four-week moving average of initial claims climbed 7,750 week-over-week to 220,250, and was up 14,500 from the four-week average of 205,750 for the same period a year earlier.
- The Census Bureau reported that U.S. retail sales—a gauge of consumer spending, which comprises more than two-thirds of the nation's gross domestic product (GDP)—dipped 0.1% in October, but rose 2.5% over the previous 12-month period. Core sales, which exclude motor vehicles and parts, as well as gasoline stations, were up 0.1% for the month and 3.5% year-over-year. Health and personal care stores, and food services and drinking places posted the most notable sales gains versus the same period in 2022. Conversely, sales for furniture and home furnishing stores saw the most significant downturn over the previous 12-month period. Sales for gasoline stations fell as retail gasoline prices fell sharply in October.

Stocks

- Global equities closed up for the week. Emerging markets fared better than developed markets.
- U.S. equities garnered positive returns during the week. Real estate and materials were the top-performing sectors, while energy and consumer staples lagged. Value stocks led growth, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 4.44% during the week.
- Global bond markets gained ground for the week.
- Corporate bonds led the markets, followed by government bonds and high-yield bonds.

The Numbers as of November 17, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	2.6%	12.9%	11.6%	683.6
MSCI EAFE ($)	3.4%	7.0%	9.4%	2079.5
MSCI Emerging Mkts ($)	3.6%	2.7%	4.2%	982.3
US & Canadian Equities				
Dow Jones Industrials ($)	1.9%	5.4%	4.2%	34947.3
S&P 500 ($)	2.2%	17.6%	14.4%	4514.0
NASDAQ ($)	2.4%	35.0%	26.7%	14125.5
S&P/ TSX Composite (C$)	2.7%	4.1%	1.5%	20175.8
UK & European Equities				
FTSE All-Share (£)	2.3%	0.3%	1.3%	4088.1
MSCI Europe ex UK (€)	2.0%	8.1%	6.8%	1600.8
Asian Equities				
Topix (¥)	2.3%	26.4%	21.6%	2391.1
Hong Kong Hang Seng ($)	1.5%	-11.8%	-3.3%	17454.2
MSCI Asia Pac. Ex-Japan ($)	3.4%	-0.5%	1.9%	503.4
Latin American Equities				
MSCI EMF Latin America ($)	4.7%	15.6%	14.2%	2461.1
Mexican Bolsa (peso)	2.8%	8.7%	2.6%	52681.4
Brazilian Bovespa (real)	3.6%	13.8%	13.8%	124855.0
Commodities ($)				
West Texas Intermediate Spot	-1.7%	-5.4%	-7.0%	75.9
Gold Spot Price	2.3%	8.6%	12.5%	1981.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	1.7%	0.0%	1.3%	446.0
JPMorgan Emerging Mkt Bond	1.2%	3.0%	5.5%	791.0
10-Year Yield Change (basis points*)				
US Treasury	-22	56	67	4.44%
UK Gilt	-23	44	91	4.10%
German Bund	-13	2	57	2.59%
Japan Govt Bond	-9	33	51	0.76%
Canada Govt Bond	-17	38	57	3.68%
Currency Returns**				
US$ per euro	2.1%	1.9%	5.3%	1.091
Yen per US$	-1.2%	14.2%	6.8%	149.70
US$ per £	1.9%	3.1%	5.0%	1.246
C$ per US$	-0.6%	1.2%	2.9%	1.371

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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