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WEEKLY MARKET COMMENTARY

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ECONOMIC REVIEW[1]

- This was a fairly light week for economic releases, and most came in line with expectations.
- The U.S. trade deficit climbed to -$61.5 billion, nearly 5% from a revised -$58.7 billion in August, versus consensus estimates of -$59.8 billion.
  - August exports were $256.0 billion, $4.1 billion more than July exports. August imports were $314.3
  - billion, $2.3 billion less than July imports.
  - Imports hit their highest level in seven months, and exports rose to their highest level since August 2022.
- The outlier this week was the University of Michigan's Consumer preliminary gauge of consumer sentiment.
  - November's survey showed headline consumer sentiment dropped to 60.4 from 63.8 prior, starkly below the consensus expectation of 63.7.
    - The decline represented the fourth consecutive month that consumer sentiment has fallen.
    - Growing concerns about the negative effects of high interest rates and the ongoing wars in Gaza and Ukraine weighed on consumers.
  - The current conditions index, which measures what consumers think about the current state of the economy, dipped to 65.7 from 70.6 the month prior.
  - The expectations index, a measurement for the next six months, declined to 56.9 from 59.3.
  - Year-ahead inflation expectations inched up to 4.4% from 4.2% prior despite lower gasoline prices.

How do trade balance and consumer sentiment data impact you?

- Smaller deficits add to gross domestic product (GDP), commonly referred to as the scorecard for the economy. While the US is still running historically high trade gaps, the deficit is on track to be the lowest in three years.
- Of concern in the consumer sentiment data is the survey revealed long-run inflation expectations reached 3.2%, the highest level in the survey since 2011, which should likely draw concern from the Fed.

A LOOK FORWARD[1]

- After a relatively mild week of economic news, we get a heavy dose of inflation and retail data.
- October's Consumer Price Index (CPI) release on Tuesday, with year-over-year (YoY) headline inflation expected to fall to 3.3% from 3.7% prior, and YoY core expected to hold steady at 4.1%.
- Consensus expectations for October Retail Sales show a decline of -0.3% vs 0.7% prior.

How do CPI and Retail Sales data impact you?

- Inflation has come down significantly since hitting multi-decade highs a year ago, but the pace of inflation remains well above the Fed's 2% target.
  - Fed Chair Powell said on Thursday that while the economy has made progress in the fight against inflation, he is "not confident" the Fed has done enough to address the issue.
- Retail sales data shows the pace consumers are shifting their spending away from discretionary and toward essential items.

MARKET UPDATE[2]

Market Index Returns as of 11/10/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.35%	3.12%	16.60%	12.43%	9.01%	11.59%
NASDAQ	2.40%	4.45%	32.76%	22.91%	6.21%	14.24%
Dow Jones Industrial Average	0.72%	2.49%	5.29%	3.78%	7.42%	8.00%
Russell Mid-Cap	-0.74%	-1.08%	2.78%	-1.36%	4.17%	7.45%
Russell 2000 (Small Cap)	-3.11%	-4.35%	-1.92%	-7.98%	0.69%	3.33%
MSCI EAFE (International)	-0.90%	-0.85%	6.17%	7.77%	2.69%	4.48%
MSCI Emerging Markets	0.02%	-0.37%	1.44%	4.07%	-4.65%	1.89%
Bloomberg US Agg Bond	-0.29%	0.39%	-0.82%	0.44%	-4.92%	0.35%
Bloomberg High Yield Corp	-0.30%	0.96%	6.87%	8.10%	0.90%	3.43%
Bloomberg Global Agg	-0.44%	0.55%	-1.67%	-0.03%	-6.88%	-1.29%

OBSERVATIONS

- It was a modestly positive week for U.S. stock indexes, led by the NASDAQ, which added +2.40%, the S&P 500, +1.35%, and the Dow, +0.72%.
  - The S&P 500 and NASDAQ winnings streaks came to an end at 8-days and 9-days, respectively.
- The further one goes down the cap spectrum, the deeper the pain, with Mid-Cap falling -0.74% and Small Caps tumbling -3.11%.
- Emerging Markets were slightly positive on the week, +0.02%, while international stocks declined -0.90%
- Both US and Global bond markets experienced down weeks of -0.29% and 0.44%, while the 10-year Treasury yield ended the week at 4.645%, up from 4.519% a week prior (bond prices move inversely with yields).
- US Credit also had a down week, with the Bloomberg High Yield Corp. index down -0.30%.

BY THE NUMBERS

- **America's Population Projected to Shrink by 2100**. America's long streak of population growth is expected to come to an end. Census Bureau projections released Thursday show that, under the most likely scenario, the U.S. will stop growing by 2080 and shrink slightly by 2100. It is the first time that the bureau has projected a population decline as part of its main outlook for the coming decades. The only time the U.S. has recorded a population decline was in 1918, when the flu pandemic and deployment abroad of more than one million troops produced a small drop in the estimated population. Slowing growth would produce a peak U.S. population of almost 370 million before an ebb to 366 million in the final years of the century, according to the bureau. The projections—the first issued since 2018—reflect years of declining birthrates, higher death rates because of an aging population, and increased reliance on immigration for population growth.[3]
- **Let the Camera Roll:** The Hollywood strikes are officially over. Now that the Screen Actors Guild (SAG-AFTRA) has announced a deal with the Alliance of Motion Picture and Television Producers (AMPTP), which represents the major Hollywood studios, actors are just one step away from getting back to work. If, as widely expected, the union membership votes to authorize the deal the cameras can start rolling again. It may not be this simple, however, scripted projects in Hollywood have been almost entirely shut down since May when the Writers Guild of America went on strike and was soon followed by SAG-AFTRA in July (the writers' strike ended in October). Starting production again isn't as simple as the actors showing up to work. TV series and movies require a lot of preparation before shooting happens, from scriptwriting to set building and costume design. Once all that preproduction work is done,

there will be a scramble to get every show and film back to set at once, which could cause traffic jams at major filming locations and a greater demand for behind-the-scenes crew than can be met.[4]

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Trade Balance: The international trade balance measures the difference between the movement of merchandise trade and/or services leaving a country (exports) and entering a country (imports).

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100).

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

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[1] Data obtained from Bloomberg as of 11/10/2023.
[2] Data obtained from Morningstar as of 11/10/2023.
[3] America’s Population Projected to Shrink by 2100 - WSJ
[4] Let the Camera Roll - USATODAY

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