Boston, Massachusetts

WEEK OF NOVEMBER 6, 2023

Market Update

Quick Hits

1. **Report releases:** The Federal Open Market Committee (FOMC) kept the federal funds rate at 5.5 percent.
2. **Financial market data:** Long-duration equities and stocks rallied heavily.
3. **Looking ahead:** This week's data should provide data on U.S. trade, the housing market, and consumer confidence.

VERDI WEALTH MANAGEMENT

Report Releases: October 30–November 3, 2023

Conference Board Consumer Confidence Index
October
(Tuesday)

Consumer confidence fell less than expected, bringing the index to a five-month low. Consumer views on current conditions and future expectations soured during the month.

- Expected/prior month consumer confidence: 100.5/104.3
- Actual consumer confidence: 102.6

FOMC Rate Decision
November
(Wednesday)

As anticipated, the Federal Reserve (Fed) kept the federal funds rate unchanged at its November meeting. Fed chair Jerome Powell indicated in his post-meeting news conference that the central bank is expected to remain data dependent when setting monetary policy.

- Expected/prior federal funds rate: 5.5%/5.5%
- Actual federal funds rate: 5.5%

Employment Report
October
(Friday)

Hiring slowed, with the 150,000 jobs added during the month coming in below economist estimates for 180,000. The underlying data also showed signs that labor market strength is starting to fade; the unemployment rate rose and average hours worked fell.

- Expected/prior change in nonfarm payrolls: +180,000/+297,000
- Actual change in nonfarm payrolls: +150,000

ISM Services Index
October
(Friday)

Service sector confidence fell more than expected during the month, echoing a similar decline in manufacturing confidence. Although the index remains in expansionary territory, the drop in business confidence is worth monitoring because it could signal slowing business investment ahead.

- Expected/prior ISM Services index: 53/53.6
- Actual ISM Services index: 51.8

>> The Takeaway

- The Fed kept rates unchanged, as was widely expected. The committee will remain data dependent in future meetings.
- Employment and ISM services were weaker than expected.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	5.88%	3.94%	15.05%	17.52%
Nasdaq Composite	6.62%	4.88%	29.64%	29.76%
DJIA	5.07%	3.05%	4.53%	7.38%
MSCI EAFE	4.43%	4.28%	7.13%	17.91%
MSCI Emerging Markets	3.12%	3.63%	1.42%	10.03%
Russell 2000	7.59%	5.94%	1.23%	–0.62%

Source: Bloomberg, as of November 3, 2023

Global markets posted a strong rally amid falling bond yields and the FOMC's decision to keep the federal funds rate steady at 5.5 percent. The S&P 500 closed the week above its 200-day moving average, which is seen as a support indicator for the index. Earnings continued to broadly beat expectations for the quarter (82 percent, per FactSet). This dynamic, coupled with falling bond yields, helped support areas of the market that have come under pressure, including real estate, financials, consumer discretionary, and technology.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	2.30%	–0.53%	3.04%
U.S. Treasury	1.86%	–0.90%	1.82%
U.S. Mortgages	3.05%	–1.36%	2.28%
Municipal Bond	1.84%	–0.42%	4.20%

Source: Bloomberg, as of November 3, 2023

The intermediate and long end of the yield curve declined in dramatic fashion as investors flocked to areas of the bond market that had previously sold off heavily. The 5- and 10-year Treasury yields fell 28.4 basis points (bps) and 28.9 bps, closing at 4.49 percent and 4.56 percent, respectively. The 30-year dropped 27.3 bps to 4.75 percent.

>> The Takeaway

- Recently beaten down areas of the equity market, such as small-caps and real estate, rallied sharply.
- Intermediate and long-term bonds rallied sharply as the Fed paused rates for a second consecutive meeting, indicating it has made progress in battling inflation.

Looking Ahead

This week will be light on economic data. We expect data on trade, the housing market, and consumer confidence.

- The week kicks off Tuesday with **trade balance** and **consumer credit reports**. The trade balance is expected to drop from –$58.3 billion in October to –$60.5 billion. Consumer credit is expected to come in at $10 billion, from a decline of $15.6 billion in August.
- On Wednesday, **mortgage application data** will be released. Mortgage applications have fallen in 9 of the past 12 weeks.
- Finally, on Friday, we expect the release of the **University of Michigan consumer sentiment survey**. All eyes will be on the one-year inflation expectation, which was 4.2 percent in the previous report.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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