

Weekly Market Recap

November 20, 2023

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	4,514	2.2%	17.6%
Dow Jones Industrial Average	34,947	1.9%	5.4%
NASDAQ	14,125	2.4%	35.0%
Russell 2000 [®] Index	1,798	5.4%	2.1%
MSCI EAFE Index	2,080	3.4%	7.0%
Ten-Year Treasury Yield	4.43%	-0.2%	0.6%
Oil WTI ¹ (\$/bbl ²)	\$75.94	-1.6%	-5.4%
Bonds ³	\$95.24	1.4%	0.6%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose again as October Consumer Price Index (CPI) (measure of inflation) declined on an annualized basis for the first time in four months, which supports the narratives of an economic soft landing and that the Federal Reserve (Fed) is done hiking rates. Several economists said that inflation is decelerating faster than either the Fed or futures markets expected, which contributed to futures markets pricing 1.0% of Fed rate cuts in 2024. Initial jobless claims missed expectations and was the highest since August 2018, which supported the narrative that the labor market is cooling. The ten-year U.S. Treasury yield fell to 4.43%, the dollar was higher, gold rose +2.4%, and WTI fell -1.6%.
- S&P 500 Index Sector Returns:
 - Real estate investment trusts (REITs) (4.5%) rose, led lower by cell towers and data centers.
 - Materials (+3.4%) rose, led by paint and chemical companies.
 - Consumer discretionary (+3.4%) rose, led by travel stocks, home improvement retailers, and autos.
 - Financials (+3.3%) rose, led by fintech stocks and banks.
 - Utilities (+3.0%) rose as interest rates declined.
 - Industrials (+2.9%) rose, led by airlines, transports, and aerospace and defense stocks.
 - Communication services (+2.3%) rose, led by traditional media, streaming, and internet search stocks.
 - Technology (+1.7%) rose, led by software stocks and chip manufacturers.
 - Consumer staples (+0.6%), and healthcare (+1.5%) underperformed, as investors favored less-defensive stocks.
 - Energy (+0.9%) underperformed as the price of WTI fell -1.6%.

- Goldman Sachs expects the S&P 500 Index will reach 4,700 by the end of 2024, driven by strong earnings growth and higher valuations.

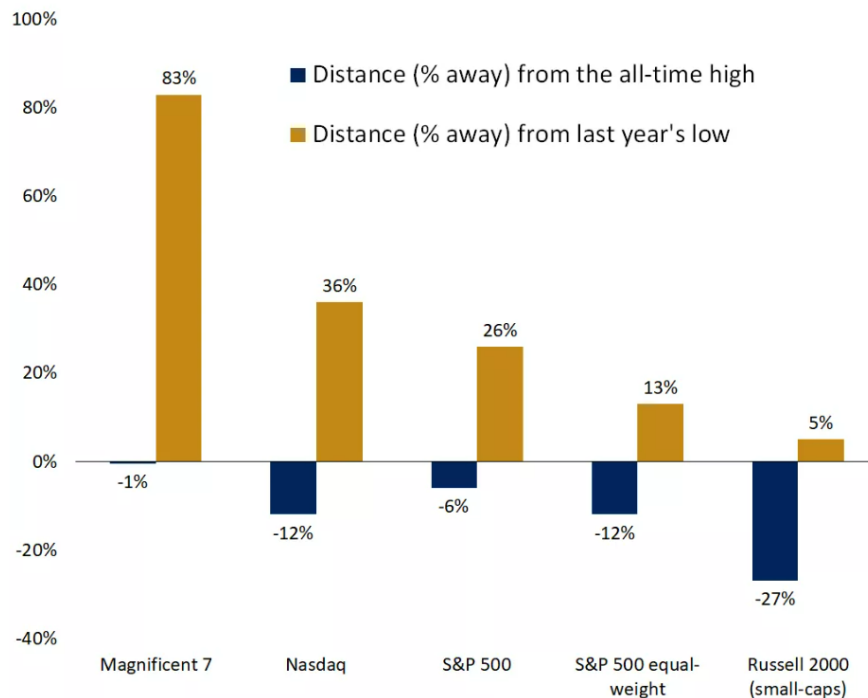
Exhibit 1: Goldman Sachs US Portfolio Strategy S&P 500 price targets: The path to 4700 at year-end 2024



Sources: Goldman Sachs; Bloomberg L.P.; The Daily Shot.

- The “Magnificent 7” stocks (Apple, Microsoft, Amazon, Alphabet, NVIDIA, Meta Platforms, Tesla) have rallied 83% from their low prices in 2022 and are trading near their all-time highs, while the S&P 500 Equal-Weight Index rose only 13% from last year’s low and is trading 12% below its all-time high.

Market laggards could play catch-up in 2024

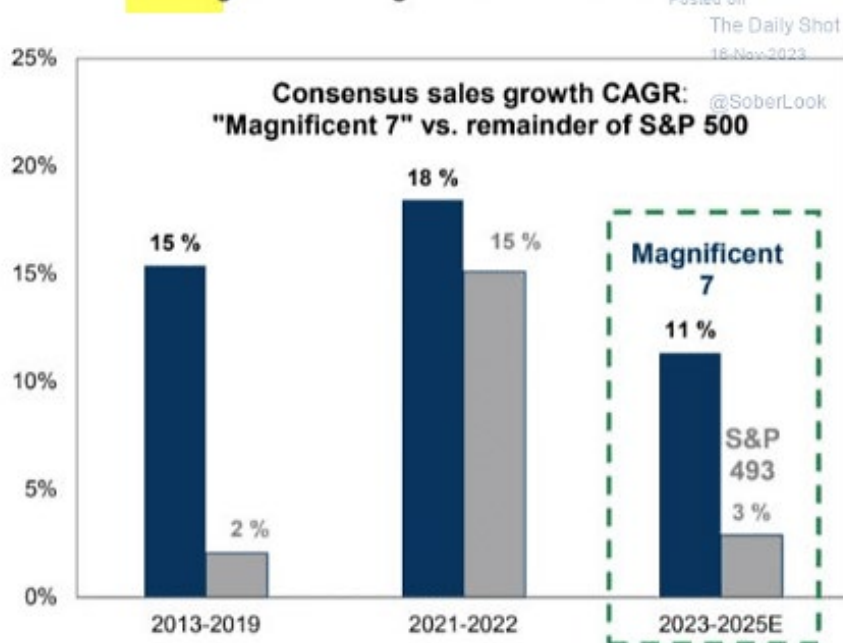


Sources: Bloomberg L.P.; Edward Jones.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 6.

- Analysts expect the “Magnificent 7” stocks to generate faster revenue growth than the other 493 stocks in the S&P 500 Index.

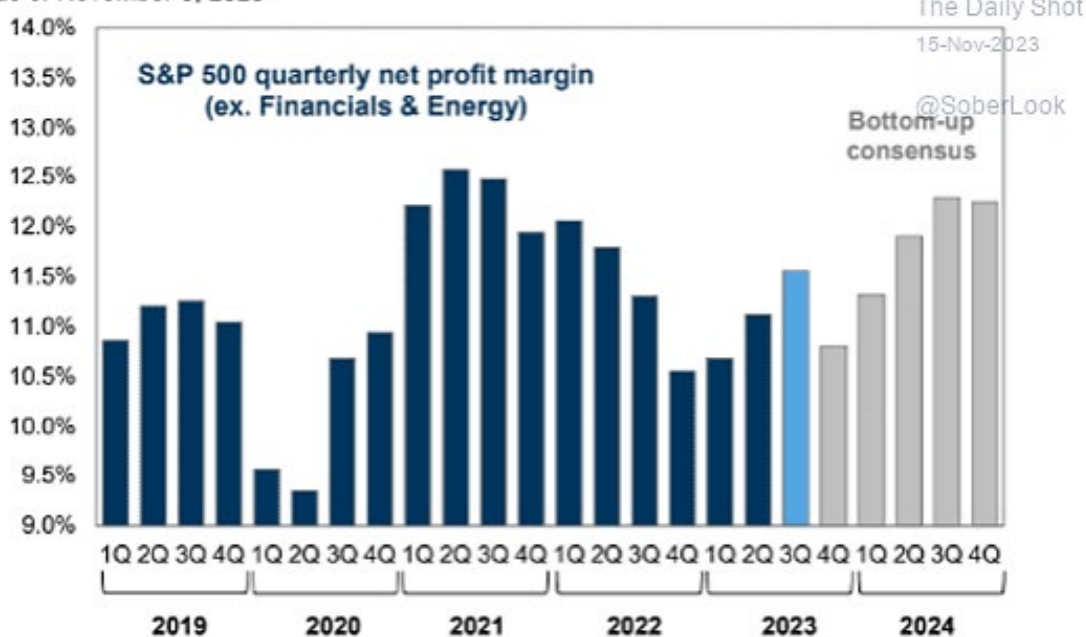
Exhibit 28: Sales growth of Magnificent 7 vs. rest of S&P 500



Sources: FactSet; Goldman Sachs; The Daily Shot.

- Analysts expect corporate margins to decline this quarter but rebound next year.

Exhibit 4: Consensus expects margin contraction in 4Q 2023, expansion in 2024
as of November 9, 2023

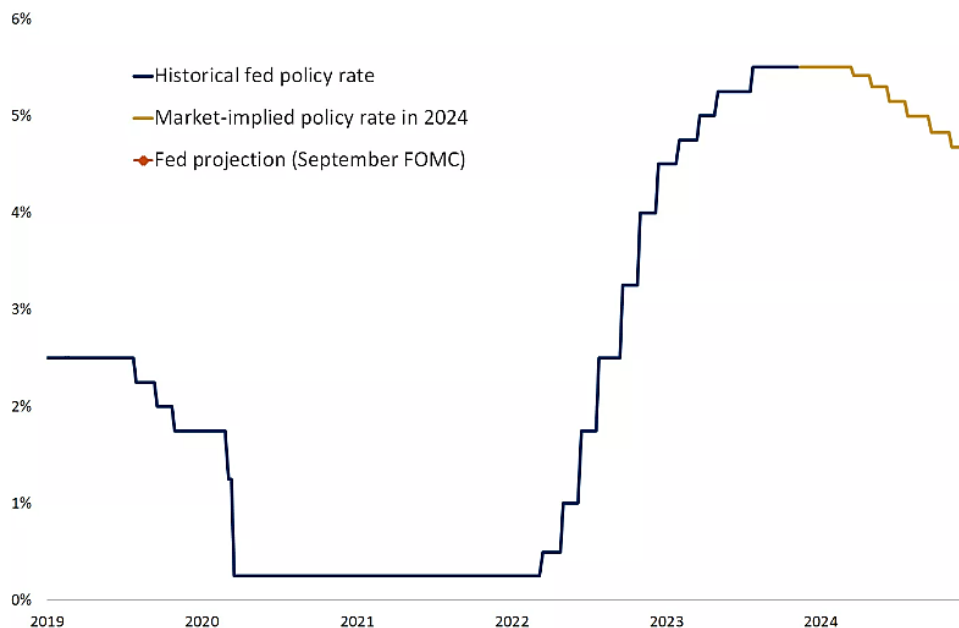


Sources: FactSet; Goldman Sachs; The Daily Shot.

Fixed Income Markets

- The futures market is expecting the Fed to cut rates by 1.0% in 2024.

Fed will likely push back against easing, but may end up cutting rates in 2024 more than the two times they projected back in September



Sources: Bloomberg L.P.; September FOMC meeting projections; Edward Jones.

- 2023 will likely be the third year in a row for negative total returns for ten-year U.S. Treasuries. Goldman Sachs expects positive total returns for bonds in 2024.

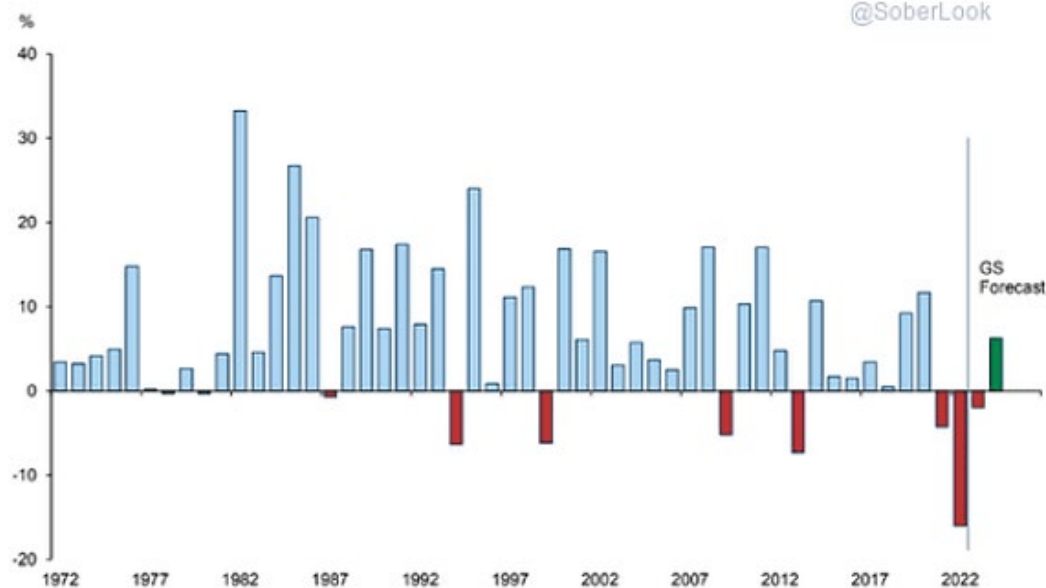
Exhibit 1: 10y USTs are on track for a third consecutive year of negative returns, an unprecedented outcome. We expect modest positive total returns on bonds in 2024.

Total returns on 10y US Treasury bonds, by calendar year

The Daily Shot

17-Nov-2023

@SoberLook



Sources: Goldman Sachs; The Daily Shot.

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U.S. Economic and Political News

- October retail sales fell for the first time in seven months.
- National Association of Home Builders (NAHB) builder confidence fell more than expected to the lowest level this year.

International Markets and News

- European markets (STOXX 600 Index) rose +2.8% along with global markets despite the European Central Bank (ECB) President Christine Lagarde saying the ECB expects inflation to increase at the start of 2025.
- The Chinese stock market (Shanghai Composite) rose +0.5% as the October industrial production and retail sales grew more than forecasted.
- Japanese equities (Nikkei 225 Index) rose +3.1% along with global markets, despite third quarter gross domestic product (GDP) showing that the Japanese economy shrunk by a worse-than-expected -0.5% over the three months (1.2% on an annualized basis).

This Week:

- The volume of corporate earnings reports will be lighter this week.
- Economic data:
 - Monday: Leading Indicators;
 - Tuesday: Existing Home Sales, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Weekly Jobless Claims, Core Durable Orders, Durable Orders ex transport, Durable Orders, Michigan Consumer Sentiment (Final), U.S. Department of Energy (DOE) Crude Inventories, Energy Information Administration (EIA) Natural Gas Inventories, Federal Open Market Committee (FOMC) Minutes;
 - Thursday: Limited data;
 - Friday: Markit Manufacturing/Services Purchasing Managers' Index (PMI).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: The target set of goods and services evaluated in the **Consumer Price Index (CPI)** are expenditures of domestic and internationally imported consumer-related services for residents of urban or metropolitan areas, including professionals, the self-employed, the poor, the unemployed, and the retired, as well as urban wage earners and clerical workers. **A futures market** is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date. Futures are exchange-traded derivatives contracts that lock in future delivery of a commodity or security at a price set today. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. **The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors. (Technical definitions are sourced from Corporate Finance Institute.)

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