



The Weekly Market Update – 12/4/23: Goldilocks is a Positive Story

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	4,594.63	0.77%	7.15%	19.67%	12.61%	4,796.56	4.4%
Dow Jones Industrial Average	36,245.50	2.42%	8.17%	9.35%	4.79%	36,799.65	1.5%
NASDAQ Composite	14,305.03	0.38%	8.21%	36.67%	24.74%	16,057.44	12.3%
Russell 2000	1,862.64	3.05%	4.34%	5.76%	-1.27%	2,442.74	31.1%
MSCI EAFE (USD)	2,130.49	0.39%	4.89%	9.60%	9.59%	2,398.71	12.6%
MSCI Emerging Markets (USD)	982.14	0.18%	3.08%	2.69%	1.01%	1,444.93	47.1%
Bloomberg Commodity Index	101.47	0.05%	-3.21%	-10.05%	-12.57%	237.95	134.5%
Barclays U.S. Aggregate Bond	89.15	1.92%	3.27%	0.30%	-0.35%	112.07	25.7%

Source: FactSet

Data reported thus far for the fourth quarter (4Q23) reflects U.S. economic growth that is moderating, but positive, along with slowing year-over-year (Y/Y) inflation. This could be called a “Goldilocks” scenario as the economy is “not too hot” but “not too cold,” a scenario where the U.S. economy could both avoid recession (defined by the National Bureau of Economic Research as a significant decline in economic activity that is spread across the economy) and support interest rates settling at lower levels. Ultimately, it is a fine line, in our opinion, as the full impact of higher interest rates throughout much of 2022 and 2023 could still build, leading to potential slower-than-expected consumer activity and business spending. Most official economic data is reported with a 30-to-60-day lag and, as of early December, key data for the month of October is now reported. On Friday, 12/1/23, the Bureau of Economic Analysis (BEA) reported October personal income and spending data. This monthly report also includes numbers for the consumer savings rate, as well as consumer inflation (personal consumption expenditures, or PCE, price index). The BEA data showed that October income and spending both increased from the prior month and rose +4.5% and +5.2% Y/Y, respectively. The personal savings rate (as a percentage of disposable income) was 3.8%, up from 3.7% in September but down from levels above 5% in April and May. We view this as an indication that consumers are slowing savings plans to support spending, while also remaining somewhat confident about their financial situations. The PCE price index (a measure of consumer inflation) rose +3.0% in October Y/Y and the core PCE (excludes food & energy) index increased +3.5%. Both numbers were the lowest in more than two years, reflecting steadily improving pricing pressures, although inflation remains well above the Fed’s 2.0% target. The FactSet consensus (from Wall Street economists) estimate for 4Q23 U.S. economic growth was +1.0% as of 12/4/23, marking a slowdown from the +5.2% reported in 3Q23. And the Federal Reserve Bank of Atlanta’s GDPNow data, which tracks GDP (gross domestic product) as reported, was last updated (12/1/23) to show +1.2% 4Q23 growth.

The S&P 500 index closed at 4,595, its highest closing level of 2023. The previous 2023 closing high was set on 7/31/23; the index then declined -10.3% over nearly three months to 10/27/23 and rallied +11.6% to recover that decline. Although the index achieved a fresh 2023 high, just three of the 11 S&P 500 macro sectors (using the MSCI global industry classification standards, or GICS) were higher. The sector gainers since 7/31/23 were Information Technology, Financials, and Communication Services, while the other eight sectors remained below 7/31/23 levels. In November, however, equity market gains broadened, with all S&P 500 sectors trading higher. This reflected strong gains for the “average” stock and included participation from small companies as well. The popular, small-cap Russell 2000 index increased +8.8% in November, keeping pace with the S&P 500’s +8.9% gain. Broad participation is a positive development for markets, in our opinion, and reflects investor optimism about sustained economic growth and corporate earnings growth potential. Despite some consolidation to begin the new week, investor sentiment remains positive.

The first week of December includes a slate of economic reports, highlighted by November jobs data on Friday. The Bureau of Labor Statistics (BLS) employment report will reveal overall jobs growth, unemployment, monthly and Y/Y wage trends, and labor force participation. The FactSet consensus for nonfarm payrolls is an increase of +175 thousand (K), an uptick from +150K in October. Jobs gains averaged +239K in 2023 and +204K over the past three months.

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