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THE MARKET MEMO

DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

A monthlong feast, November had a dish to suit nearly every taste. The four-week rally sent major market indices to near or beyond the year-to-date peaks reached at the end of the second quarter.

What summoned this cornucopia? The right mix of good data and “bad” data. The good: the Consumer Price Index tallied the inflation rate to be 3.2%, well off its recent peak of over 9% in June 2022. The “bad”: softer than expected economic performance, which led the S&P 500 to record eight consecutive days of gains, its longest streak since 2021. This was taken as an indicator that the Federal Reserve (Fed) would decline to raise its benchmark interest rate another tick, as had been expected by many investors.

With that, the Fed’s interest rate tightening cycle may be at an end, making the next likely move a rate cut – though not likely until later in 2024.

In response to that, equity gains were experienced broadly — not just among the rarefied club of large technology companies with lines of business in AI — as small-cap and international equities posted strong returns for the month. The S&P 500, broadly representing large companies’ stock prices, soared 8.77% for the month. The Russell 2000, comprising small companies’ stocks, followed up with an 8.83% increase for the month.

The fixed-income markets had a seat at the table, too, with the Bloomberg Barclays Aggregate Bond Index erasing year-to-date losses and sidestepping, at least temporarily, three consecutive years of negative performance. The yield on the 10-year Treasury settled around the 4.29% mark after briefly touching 5% in late October.

The bottom line

While November’s gains were a welcome sight after three months of steady declines, rising stocks and falling bond yields contribute to the inflationary heat the Fed has worked to cool. This means that while the Fed seemingly called off a final interest rate hike for the year, one could expect a response if inflation turns around. As long as that threat looms, the markets will likely remain volatile.

As we enter the final month of sometimes exhilarating and sometimes challenging 2023, we would like to reiterate our gratefulness for your continuing trust in our guidance. This is a time of year when financial anxiety is high for many people, so our goal is to help our clients feel confident in the strength of their plan so they can focus on the things they value most.

If you have any questions about the markets, your financial plan, or anything, please feel free to reach out at your earliest convenience.

We wish you a warm and cheerful holiday.

Sincerely,

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