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Weekly Market Update, November 27, 2017

Presented by **Dawn Cramer**

General market news

- Since reaching a high of 2.41 percent on November 19, the yield on the 10-year Treasury has hovered around 2.34 percent. The 30-year has moved back below 2.80 percent—a level it has reached only a few times in the past year. Meanwhile, the 2-year is back above 1.75 percent. As the short end of the curve moves higher and the long end maintains its levels or moves lower, the flattening yield curve is increasingly something we need to pay attention to.
- Markets were up across the board during the holiday-shortened week. Technology stocks helped support the advance of the Nasdaq Composite and the S&P 500 Index, as Apple and Amazon posted gains of 2.83 percent and 4.97 percent, respectively. In fact, the S&P notched a new record high on November 21.
- Other top-performing sectors included telecom, industrials, and consumer discretionary. High expectations for the retail space should help consumer discretionary stocks. Earlier this month, Alibaba's (BABA) Singles' Day generated $25.3 billion in sales. Black Friday and Cyber Monday are expected to follow this strong performance. Those sectors that lagged on the week were consumer staples, utilities, and financials.
- Last week saw existing home sales come in very close to the consensus estimate. The number of homes sold increased 2 percent over the previous month, but sales were down 0.9 percent from last year. Because demand remains strong, supply continues to dwindle; it fell 3.2 percent, to 1.8 million homes.
- Durable goods orders were released on Wednesday, coming in well below the consensus with a decline of 1.2 percent month-over-month. Expectations were for a 0.4-percent increase. Commercial aircraft orders declined significantly but are expected to bounce back in November. Removing transportation, durable goods orders increased 0.4 percent, and the previous report was revised upwards by 0.4 percent as well.
- The University of Michigan consumer sentiment survey came in slightly above the consensus at 98.5—a sign that consumers' confidence in the economy remains strong.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.93%	3.61%	18.36%	20.44%
Nasdaq Composite	1.58%	6.25%	29.34%	29.55%
DJIA	0.89%	5.52%	21.83%	26.44%
MSCI EAFE	1.88%	2.76%	23.84%	29.25%
MSCI Emerging Markets	1.57%	6.80%	36.82%	38.37%
Russell 2000	1.77%	2.04%	13.19%	29.25%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.19%	3.39%	3.64%
U.S. Treasury	0.11%	2.38%	2.32%
U.S. Mortgages	0.12%	2.40%	2.59%
Municipal Bond	–0.36%	4.77%	5.20%

Source: Morningstar Direct

What to look forward to

This week, we'll get a detailed look at the consumer, as well as sentiment at manufacturing companies.

On Tuesday, the Conference Board will release its confidence survey. The reading is expected to pull back a bit from a 16-year high of 125.9 in October to a still very high 124.0 in November. Strong job and stock markets should keep the index high, but rising gas prices may temper results. Even with the expected pullback, confidence is unusually high, and consumers are feeling very good. This is consistent with faster growth.

On Thursday, the personal income and spending reports will show whether consumers' behavior is in line with confidence levels. Personal income growth is expected to pull back slightly, from a strong 0.4 percent in September to a still healthy 0.3 percent in October. Faster job growth in the aftermath of the hurricanes was offset by slower wage growth, so there may be some downside risk here. Personal spending growth also is expected to pull back from a 1-percent gain in September—when vehicle sales and rising gas prices buoyed growth—to a healthy gain of 0.3 percent in October. If the data comes in as expected, this will be a positive result for consumers, who represent the largest part of the economy.

Finally, on Friday, the Institute for Supply Management's survey of manufacturing businesses is likewise expected to pull back from October's seven-year high of 58.7 to 58.4. This is a diffusion index, where numbers above 50 indicate expansion. So, even with a small pullback, this index would still suggest strong growth. With declines in similar surveys, there may be more downside risk here, but the indicator would still be quite positive even with a larger pullback.

Although there may be some weakening of the data this week, it will be from very high levels and so nothing to worry about. Overall, this week's data should keep pointing toward economic growth.

Brad McMillan, Senior Vice President, Chief Investment Officer, at Commonwealth, provides our advisors and their clients with market insights and analysis to help inform their investment decisions.
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