

A photograph of the Chicago skyline at sunset, with the sun low on the horizon behind the skyscrapers, casting a warm orange and yellow glow over the city and the water in the foreground. The sky is filled with soft, colorful clouds.

WEEK OF NOVEMBER 20, 2023

Market Update

Quick Hits

1. **Report releases:** Consumer and producer inflation came in below economist expectations in October.
2. **Financial market data:** Lower-than-expected inflation data lifted equities and bonds.
3. **Looking ahead:** This week, we expect data on home sales, durable goods orders, and consumer sentiment.

Report Releases: November 13–17, 2023

Consumer Price Index October (Tuesday)

Headline and core consumer prices increased less than expected in October. This marks the lowest level of year-over-year core consumer price growth since September 2021.

- Prior monthly CPI/core CPI growth: +0.4%/+0.3%
- Expected monthly CPI/core CPI growth: +0.1%/+0.3%
- Actual monthly CPI/core CPI growth: +0%/+0.2%
- Prior year-over-year CPI/core CPI growth: +3.7%/+4.1%
- Expected year-over-year CPI/core CPI growth: +3.3%/+4.1%
- Actual year-over-year CPI/core CPI growth: +3.2%/+4%



Retail Sales October (Wednesday)

Retail sales fell modestly in October, due in part to falling gas prices. Core retail sales, which strip out volatile auto and gas sales, increased 0.1 percent.

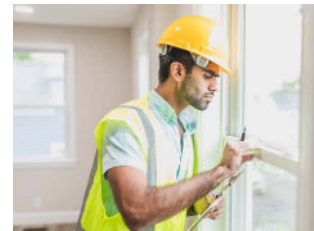
- Expected/prior month retail sales monthly change: -0.3%/+0.9%
- Actual retail sales monthly change: -0.1%



National Association of Home Builders Housing Market Index November (Thursday)

Home builder sentiment fell to its lowest level this year as high mortgage rates continued to hurt prospective homebuyer demand. Home builder expectations for future sales fell for the fifth consecutive month.

- Expected/prior month sentiment: 40/40
- Actual sentiment: 34



Building Permits and Housing Starts October (Friday)

Although housing starts and building permits increased more than expected in October, the pace of new home construction remains well below recent highs from early 2022.

- Expected/prior month housing starts monthly change: -0.6%/+3.1%
- Actual housing starts monthly change: +1.9%
- Expected/prior month building permits monthly change: -1.4%/-4.5%
- Actual building permits monthly change: +1.1%



>> The Takeaway

- Consumer and producer inflation showed smaller-than-expected increases in October.
- Housing starts and building permits were higher than expected despite waning home builder sentiment.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.31%	7.77%	19.29%	15.74%
Nasdaq Composite	2.42%	10.01%	35.98%	27.82%
DJIA	2.06%	5.93%	7.46%	5.80%
MSCI EAFE	4.50%	7.99%	10.95%	12.34%
MSCI Emerging Markets	2.99%	6.75%	4.47%	6.34%
Russell 2000	5.49%	8.28%	3.46%	-1.26%

Source: Bloomberg, as of November 17, 2023

Lower-than-expected consumer and producer inflation reports lifted equities. Small-caps and international markets, two areas that have been hit hard by inflation, were particularly strong. Lower-than-expected inflation data also provided support for the Federal Reserve (Fed) being closer to the end of rate hikes, which should ease currency pressure on international markets. Equities popped to start the week but ended more muted after Walmart's guidance led to questions regarding the strength of consumers.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	3.40%	0.54%	1.34%
U.S. Treasury	2.62%	-0.17%	0.49%
U.S. Mortgages	4.17%	-0.30%	0.35%
Municipal Bond	4.03%	1.71%	3.00%

Source: Bloomberg, as of November 17, 2023

The belly of the Treasury curve between 2- and 10-year maturities rallied heavily on lower-than-expected inflation reports. Yields for the 2-year and 5-year fell 22 basis points (bps) and 23.7 bps, respectively. The 10-year fell 18.3 bps. Lower inflation is supportive of bonds because inflation erodes the attractiveness of the fixed coupon payments issued by these investments. Mortgages and municipals were also buoyed by lower inflation, meaning potentially lower rates and broader support.

>> The Takeaway

- Small-caps and international equities found a reprieve in lower inflation reports.
- Treasuries continued their rally from mid-October.

Looking Ahead

Despite the Thanksgiving holiday, this week will be full of important economic data releases. They will focus on existing home sales, durable goods orders, and consumer sentiment.

- On Tuesday, we expect the release of **existing home sales** for October and minutes from the November meeting of the **Federal Open Market Committee (FOMC)**. Sales of existing homes are set to fall for the fifth consecutive month because of a combination of high mortgage rates, low supply of homes for sale, and high prices. FOMC minutes will be widely monitored for hints on the path of interest rate policy.
- On Wednesday, **durable goods orders** for October and the **preliminary University of Michigan consumer sentiment survey** for November will be released. Headline durable goods orders are expected to slow in October, whereas core orders are expected to increase modestly. The first estimate for consumer sentiment in November is set to show slightly higher confidence. If estimates hold, it would break a four-month streak with declining confidence.





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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