Market Commentary

November 2023

- Stocks and bonds rallied in November. Major equity indices were up between 8% and 11%, and the broad US fixed income index had its best monthly performance since May 1985.
- Gold hit a new high of $2,100 and Bitcoin topped $40,000.
- Investors are becoming more confident that the highest levels for rates may be behind us.

MARKET RETURNS AS OF November 30, 2023[1]

	November %	YTD %	1 Year %	3 Year %	5 Year %	10 Year %
S&P 500 TR	9.13	6.84	20.80	13.84	9.76	12.52
DJ Industrial Average TR	9.15	7.78	10.72	6.19	8.86	9.42
NASDAQ Composite TR	10.83	7.78	37.00	25.13	6.08	15.18
Russell 2000 TR	9.05	1.61	4.20	-2.57	1.13	4.78
MSCI EM GR	8.02	3.83	6.08	4.65	-3.66	2.73
MSCI EAFE GR	9.30	4.88	12.84	12.96	4.32	6.51
Bloomberg US Agg Bond TR	4.53	2.88	1.64	1.18	-4.48	0.71

MARKETS

In the month of November, both equities and fixed income markets rallied. Equities led the charge, with the S&P 500 TR Index +9.13%, the Dow Jones Industrial Composite TR Index + 9.15%, and the Nasdaq Composite TR Index +10.83%. The strong monthly performance lifted even lagging equity categories, such as small caps and emerging markets, into positive territory for the quarter and year-to-date.

Bonds had their best monthly price rally since May 1985, increasing 4.53%, as measured by the Bloomberg US Agg Bond TR USD Index.[1] Dovish sentiment from the Federal Reserve and encouraging economic data helped to propel markets forward.

Cryptocurrecies and gold rallied, as well. Speculation that approval for a spot Bitcoin ETF could be around the corner may be attracting new flows from existing and emerging investors to cryptocurrencies. Gold traded above $2,100, setting a new all-time high on the back of geopolitical uncertainty, a weakening U.S. dollar, and possible interest rate cuts.

Despite many media outlets brazenly calling for the death of the 60/40 portfolio over the last year or so, this month's strong stock and bond market performance would suggest otherwise. A typical portfolio holding 60% in stocks and 40% in bonds would have returned 8.28% in November, as measured by the Morningstar Moderately Aggressive Target Risk TR USD Index.

THE FED AND RATES

Fed Chair Jerome Powell offered the strongest signal yet that officials are likely done raising rates by saying that their policy setting is "well into restrictive territory, meaning that tight monetary policy" is slowing economic activity.

U.S. consumer spending rose moderately in October, the annual increase in inflation was the smallest in more than two and a half years, and the labor market is gradually easing. These are all signs that the Fed's efforts may finally be paying off.

The yield on the 10-year Treasury fell 52.5 basis points from 4.874% to 4.349% in November. That marks the biggest one-month drop since August 2019.

Recent language from the Fed provided some investors with the confidence to broaden their investment choices. "Following a reset higher in bond yields, the age of 'There Is No Alternative' (TINA) to equities or other risk assets has ended. We believe we are now in the early phases of 'There Are Reasonable Alternatives' (TARA)," Goldman Sachs wrote.

WHAT'S NEXT?

- **Avoid any fear of missing out (FOMO).** While money market funds were a very popular investment vehicle in 2023 given rising rates, make sure it is right-sized. If you have investible cash sitting in cash or cash equivalents, consider getting it invested and working towards your long-term goals.
- **Rebalance where necessary.** Review year end asset allocation exposures and adjust where necessary. Perhaps you may look to trim any areas that have gotten too large or cut any areas where the long-term thesis is no longer viable while keeping the tax impact in mind when making any changes.

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FOOTNOTES:

Past performance is no guarantee of future returns.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

The information here is not intended to constitute an investment recommendation or advice.

Sources:

1. Data from Morningstar. Returns over one year are annualized.

Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index.

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