

Equity Research  
Economics

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## Weekly Market Monitor



## Comment

*Having come so far so quickly, the FOMC is moving forward carefully, as the risks of under- and over-tightening are becoming more balanced...It would be premature to conclude with confidence that we have achieved a sufficiently restrictive stance, or to speculate on when policy might ease. We are prepared to tighten policy further if it becomes appropriate to do so.*

– Fed Chair Jerome Powell, 1 December 2023

Investors are increasingly pricing in the start of interest rate cuts in the coming year, while the Fed is lightly pushing back on this view in fear of financial conditions easing too rapidly, as Chair Powell remarked on Friday.

Futures market participants are now attaching a 55.1% probability of a rate cut at the March 2024 FOMC meeting; that’s a considerable change from just one week ago when they were attaching a 21% probability to such a change. What gives?

While investors are still in the grip of an immaculate disinflation/soft-landing narrative, we have seen greater evidence of a further weakening of growth over the last few weeks.

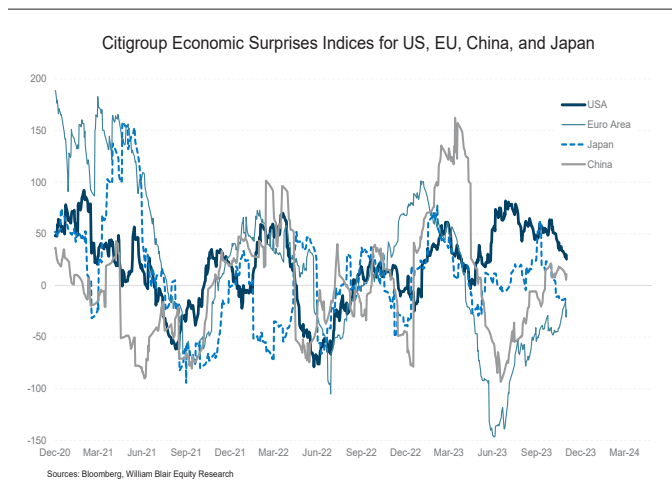
Investors have been wrestling with what they believed was a dichotomy between much softer anecdotal economic survey data and what they have seen playing out in the hard data. However, it increasingly looks like the two are starting to converge, with greater weakness in the hard data.

For example, the latest Dallas Fed Texas Manufacturing Survey was once again grim reading, with comments such as: *“There is nothing encouraging on the horizon”,* to *“Incoming orders continued to decline over the last six to eight months. Now that we have worked through our backlog, it is affecting our ability to reach breakeven and has affected our employment number. We do not see that this situation will improve into first quarter 2024.”* This is coming up against data in the last two weeks that have shown: a 5.4% decline in durable goods orders, a 4.1% fall in existing home sales, a 5.6% fall in new home sales, and the ISM manufacturing index defying expectations of an increase by remaining unchanged at 46.7% (which importantly included a fall in the employment index to 45.8%).

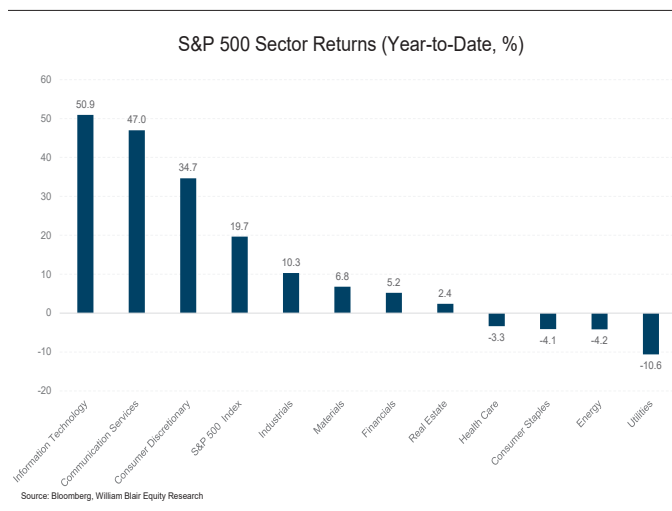
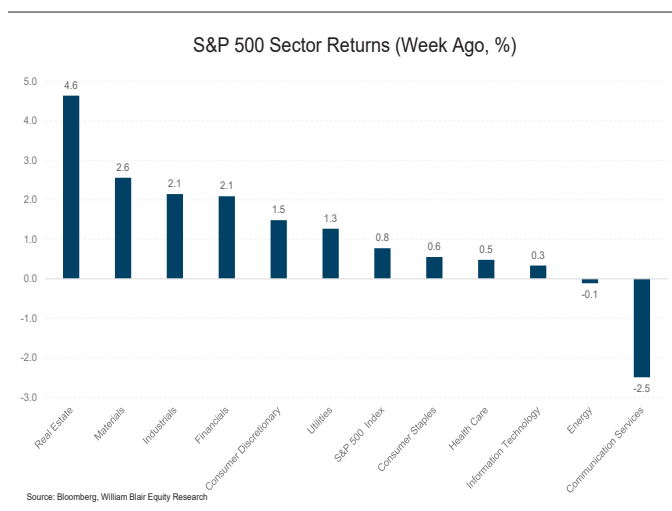
The weakness has also been global with all the major economies experiencing further downward movement in the economic surprises indices (chart of the week). Yet the softening of the U.S. data has been the biggest of these surprises, resulting in a sharp decline in the value of the dollar—falling roughly 3% over the course of November—accompanied by lower bond yields, but higher gold prices.

For equity markets participants, falling rates and a mild economic slowdown are still good news, with the S&P 500 recording its best monthly performance (up 8.92%) since July 2022.

## Chart of the Week: Softer Surprises



## S&P 500 Sector Returns



## Market Data

## Fixed Income

U.S. Interest Rates	01-Dec-23	Levels (%)		
		1 Week Ago	1 Month Ago	1 Year Ago
3-mth T-Bill	5.37	5.41	5.46	4.31
2-yr U.S. T-Note	4.54	4.95	4.95	4.23
5-yr U.S. T-Note	4.13	4.49	4.65	3.67
10-yr U.S. T-Note	4.20	4.47	4.74	3.51
30-yr U.S. T-Bond	4.39	4.60	4.93	3.60
30-yr Fixed Mtge	7.48	7.81	8.02	5.83
Prime Rate	8.50	8.50	8.50	7.00
SOFR	5.33	5.32	5.32	3.82

Foreign Interest Rates	01-Dec-23	1 Week	1 Month	1 Year
		Ago	Ago	Ago
2-Year Canadian	4.07	4.45	4.53	3.79
2-Year German	2.68	3.07	2.97	2.01
2-Year Japanese	0.04	0.06	0.16	-0.03
2-Year U.K.	4.51	4.69	4.78	3.22
10-Year Canadian	3.42	3.72	3.92	2.83
10-Year German	2.36	2.64	2.76	1.81
10-Year Japanese	0.69	0.77	0.95	0.25
10-Year U.K.	4.14	4.28	4.50	3.10

## Equities

	Level		% Change:		
	01-Dec-23	Week Ago	Month Ago	Quarter-to-Date	Year-to-Date
S&P 500	4,594.6	0.8	8.4	7.1	19.7
Dow Jones Industrials	36,245.5	2.4	8.9	8.2	9.3
Nasdaq Composite	14,305.0	0.4	9.5	8.2	36.7
Russell 2000	1,862.6	3.1	11.6	4.3	5.8
Russell 1000 Growth	2,935.5	0.3	9.6	9.6	36.0
Russell 1000 Value	1,564.5	1.9	8.0	4.5	4.5
MSCI EAFE	2,130.5	0.4	8.2	4.9	9.6
MSCI EM	982.1	0.2	7.2	3.1	2.7

## Foreign Exchange Rates

	01-Dec-23	1 Week	1 Month	1 Year
		Ago	Ago	Ago
Euro (\$/€)	1.088	1.094	1.057	1.052
British Pound (\$/£)	1.271	1.260	1.215	1.225
Japanese Yen (¥/\$)	146.820	149.440	150.950	135.330
Canadian Dollar (C\$/)\$)	1.350	1.364	1.386	1.343
Swiss Franc (CHF/\$)	0.869	0.883	0.908	0.937
Australian Dollar (US\$/A\$)	0.668	0.659	0.639	0.681
Mexican Peso (MXN/\$)	17.188	17.114	17.767	19.151
Chinese Yuan (CNH/\$)	7.124	7.149	7.336	7.039
Brazilian Real (BRL/\$)	4.882	4.902	4.956	5.192
Indian Rupee (INR/\$)	83.295	83.375	83.289	81.219
DXY U.S. Dollar Index	103.268	103.403	106.884	104.728

## Commodity Prices

	01-Dec-23	1 Week	1 Month	1 Year
		Ago	Ago	Ago
WTI Crude (\$/bl)	74.1	75.5	80.4	81.2
Brent Crude (\$/bl)	78.9	80.6	84.6	86.9
Gold (\$/Oz)	2072.2	2000.8	1982.5	1803.1
Silver (\$/Oz)	25.5	24.3	22.9	22.8
Copper (¢/lb)	390.9	378.9	364.9	381.4
Soybeans (\$/Bshl)	1325.0	1330.8	1291.3	1429.8
Natural Gas (\$/MMBTU)	2.8	2.9	3.5	6.7
Gasoline (\$/gallon)	212.1	216.5	218.6	234.2
CRB Spot Industrials	539.4	539.5	538.6	571.5

Source: Bloomberg, William Blair Equity Research

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DOW JONES: 36245.50

S&P 500: 4594.63

NASDAQ: 14305.00

Additional information is available upon request.

**Current Rating Distribution (as of December 3, 2023):**

<b>Coverage Universe</b>	<b>Percent</b>	<b>Inv. Banking Relationships *</b>	<b>Percent</b>
Outperform (Buy)	70	Outperform (Buy)	7
Market Perform (Hold)	29	Market Perform (Hold)	3
Underperform (Sell)	1	Underperform (Sell)	0

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