Summary

Economic data for the week included a gain in existing home sales offset by a drop in housing starts, minimal change in consumer sentiment, and a continued decline in the key index of leading economic indicators, where a variety of underlying components appeared to show slowing including hurricane effects from the prior month.

Equity returns consisted of positive sentiment in the U.S., along with more risk-taking, while conditions abroad appeared more fragile, resulting in mixed returns. Bonds were little-changed domestically, with stable yields, while foreign bonds gained. Commodities were higher, as energy prices rose in response to increased perceived geopolitical risks.

Economic Notes

(+) **Existing home sales** rose by 3.4% in October to a seasonally-adjusted annualized rate of 3.96 mil., above the 2.9% gain expected, and a reversal of the small decline the prior month. Gains in single-family of 4% slightly outpaced condos/co-ops, which were up nearly 3%. All regions saw gains, led by a 7% gain in the Midwest, while the West came in last at 1%. Year-over-year, national existing home sales rose by 3%, which represented the first annual gain in over three years. The median home sales price rose a tenth of a percent on an unadjusted basis to $407,200, a 4% gain over the past year. Inventory ticked down a bit, with months' supply down a tenth to 4.2. Ever optimistic, the NAR noted that, "The worst of the downturn in home sales could be over, with increasing inventory leading to more transactions. Additional job gains and continued economic growth appear assured, resulting in growing housing demand." However, mortgage interest rates remain high, with higher Treasury base rates in addition to higher-than-average spreads.

(-) **Housing starts** fell -3.1% in October to a seasonally-adjusted annualized rate of 1.311 mil., roughly twice the -1.5% decline expected by consensus. Single-family starts fell by -7%, partially offset by multi-family rising 10% on the month. While starts rose in the West and Midwest, it appears that declines in the South (as well as the Northeast) led the downward move, as another example of weather-related weakness. **Building permits** fell by -0.6% in the month to a rate of 1.416 mil., well below the 0.7% gain expected, led by declines in multi-family of several percent. Nationally, starts remained down -4% over the past year, led by a small decline in single-family but a -13% drop in multi-family as lumpy apartment activity has started to pull back. This part of the economy remains perhaps oddly slow, considering the well-acknowledged need for more housing stock based on population growth and normal tear-down/redevelopment. Obvious culprits include still-high financing rates as well as restrictive zoning in certain regions, which delays activity or narrows the availability of land for development.

(-) The preliminary **S&P Global US manufacturing PMI** gauge for November rose by 0.3 of a point to 48.8. New orders rose, but remained in contraction, while employment rose by several points back into expansion. Output, however, declined further into contraction. Input and output prices were mixed but remained in the expansionary low 50's levels.

(+) The preliminary November **S&P Global US services PMI** index rose by 2.0 points to 57.0, beating the 55.0 level expected by consensus. The new business component rose by two points, further into expansion at 56, while employment fell by nearly a point further into slight contraction at just under 49. Input and output prices each fell by over a point but remained in expansion on net. These indicators continue to largely reflect ongoing negative trends in manufacturing and positive trends in services.

(-) The final November report of the **Univ. of Michigan index of consumer sentiment** was revised down by -1.2 points to 71.8, below the 73.9 level expected. Assessments of current economic conditions fell slightly, while expectations for the future fell by over a point. Inflation expectations for the coming year were unchanged at 2.6%, while those for the coming 5-10 years ticked up a tenth to 3.2%. While there was little overall change, the survey sponsors noted the political climate in that stability nationally "obscures discordant partisan patterns" with forward expectations from Republicans improving and Democrats deteriorating.

(0) **Initial jobless claims** for the Nov. 16 ending week fell by -6k to 213k, below the 220k median forecast. Continuing claims for the Nov. 9 week, on the other hand, rose 36k to 1.908 mil., well above the 1.880 mil. expected. There still appears to be some carryover from recent weather events on the continuing claims side.

(-) The Conference Board's **Index of Leading Economic Indicators** declined -0.4% in October, a tenth below the pace of the prior month after revisions, however, the index sponsors stopped calling for an impending recession. The Conference Board acknowledged the October weakness in new orders and weekly manufacturing hours (by the most in a year), which offset the positivity implied by stock prices, with some of the weakness reflecting the impact of hurricanes in the Southeast U.S. Over the past six months, the index declined -2.2% relative to the -2.0% of the prior six months from Oct. 2023 to Apr. 2024. Over that semiannual stretch, positive influences included higher stock prices and the leading credit index (tracking lending conditions in the economy); however, these were offset by negative signals from ISM new orders, the inverted yield curve (10y minus Fed funds, while the 10y minus 2y has stayed barely positive after un-inverting), and consumer expectations for business conditions. This 'old school' metric continues to point to the negativity of the LEI being driven by its manufacturing-based construction, while not fully capturing the strength in services.

Market Notes

Period ending 11/22/2024	**1 Week %**	**YTD %**
DJIA	2.03	19.49
S&P 500	1.72	26.70
NASDAQ	1.77	27.41
Russell 2000	4.49	20.15
MSCI-EAFE	0.00	4.32
MSCI-EM	0.23	8.50
Bloomberg U.S. Aggregate	0.19	1.52

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2023	5.40	4.23	3.84	3.88	4.03
11/15/2024	4.60	4.31	4.30	4.43	4.60
11/22/2024	4.63	4.37	4.30	4.41	4.60

U.S. stocks gained last week, with every sector ending in the positive, led by consumer staples, materials, and utilities at upwards of 3%, while technology and consumer discretionary came in last place, although still with respectable weekly gains just under 2%. Real estate also rose by several percent for the week. Small caps continued their stretch of recovery relative to large caps with hopes of continued economic growth in the coming year, which is assumed to benefit more domestically-focused firms, as is easier regulation and a hoped-for boost in merger and acquisition activity. Mid-week concern over NVIDIA earnings (released Wed., with markets relatively satisfied although not exuberantly so), and the delivery of long-range missiles for use by Ukraine raised worries over a possible escalation with Russia in the region, in the worst case involving tactical nuclear (even if unlikely, with very small probabilities being upgraded into just small probabilities).

Foreign stocks were mixed, with gains in the U.K. and Europe (at least in local terms) offset by a decline in Japan. Stronger local results were offset by a rise of over a percent in the U.S. dollar for the week, driven by expected currency and growth differentials. In Europe, PMI surveys alluded to weaker economic conditions, as well as the market's digesting of possible negative tariff effects on more cyclical industries like autos, which were somewhat offset by what appear to be stronger chances for more interest rate cuts. In emerging markets, many key markets saw gains, such as South Korea, India, Taiwan, and Brazil, which were partially offset by a decline in China as market sentiment continued to suffer in the uncertainty surrounding possible high tariff rates next year. No doubt markets will be attempting to gauge the probabilities of adverse tariff policy in coming weeks/months via the selection of various trade-related cabinet members and pre-inauguration rhetoric, as no actual policy can occur before Q1-2025 if not a bit later, negotiations aside.

Bonds were little-changed on the week, in keeping with minimal changes in U.S. Treasury yields for the week. With higher coupons and a general bent toward-risk taking, along with stronger equity prices, high yield and floating rate bank loans outperformed with small gains. Foreign bonds were mixed to higher, with lower yields offsetting a stronger U.S. dollar.

Commodities gained on the week, despite the stronger dollar, led by rises in energy and precious metals of over 5%, while industrial metals fell back slightly. Crude oil rose over 6% last week to $71/barrel. The latter was related to escalation in the Ukraine-Russia conflict, with Ukraine's use of long-range missiles into Russian territory as well as an intercontinental ballistic missile response from Russia, in addition to Iran's announcement of installing advanced nuclear centrifuges.

Have a good week.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.