

THE WEEK IN REVIEW

All three major U.S. equity averages established all-time highs this week. Better-than-expected economic data, a flurry of corporate mergers and reports that the U.S. and China were moving closer to a “phase one” trade deal lifted investor sentiment. In a Monday night speech, U.S. Federal Reserve Chairman Jerome Powell highlighted Fed policymakers’ confidence in the durability of the current economic environment and emphasized that the central bank’s interest rate policy is not on a “preset course.” The positive backdrop helped drive the S&P 500 Index to a 3.4% monthly gain, while the blue-chip Dow Jones Industrial Index and technology-heavy Nasdaq Composite Index posted monthly gains of 3.7% and 4.5%, respectively. Driven by the technology, financial and healthcare sectors, the S&P 500 experienced its best November monthly return since 2009.

The 3Q19 growth rate in real gross domestic product (GDP) for the U.S. economy was 2.1%, exceeding the initial estimate of a 1.9% rate. GDP is comprised of four components: personal consumption, business investment, government spending, and net exports; of the four components, personal consumption accounts for nearly 70% of total production. Personal consumption, government spending, and net exports positively contributed to GDP while business investment was a negative contributor. Economists expect a modest deceleration in 4Q19 to an annualized rate of 2.0%. The trajectory of retail sales appears to be negative, implying that personal consumption is likely to slow into year end. Also, business investment, which has declined the last two quarters, is expected to continue to be a drag on GDP.

Demand for U.S. business equipment experienced a strong and unexpected rebound in October. Durable goods orders increased 0.6% despite initial expectations of a 0.9% decline in October after September’s decline of 1.4%. The unexpected rebound was driven primarily by solid advances in bookings and shipments of machinery as both had their largest gains since January against analysts’ projections for declines.

Looking forward to the first half of December, close attention will be placed on the November payrolls report to be released Friday, December 6. Market participants will look for any signs of a trend change in the resilient U.S. job market. Investors will also be searching for further evidence of a U.S.-China trade truce ahead of the December 15 deadline for the next round of U.S. tariffs on Chinese imports.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
GDP (QoQ Annualized)	2.1%	2.0%	▲
Core PCE Price Index (YoY)	1.59%	1.65%	▼
Personal Income (YoY)	4.4%	4.3%	▲
Durable Goods Orders	0.6%	2.1%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	28051.41	0.63%	20.25%	10.58%
NASDAQ	8665.47	1.71%	30.60%	18.84%
S&P 500	3140.98	0.99%	25.30%	14.48%
MSCI EAFE	1982.23	0.89%	15.25%	8.93%
Bbg Barclays Aggregate US	2226.43	0.15%	8.79%	10.85%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.57%	1.60%	2.35%
10-Year Treasury	1.77%	1.84%	3.03%

REPORTS DUE NEXT WEEK	LATEST
ISM Non-Manufacturing	54.7
ISM Manufacturing	48.3
U. of Mich. Consumer Sentiment	96.8
Non-Farm Payrolls	128,000

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.