

November 13, 2023

Weekly Viewpoint

The November Rally Continues

Performance for Week Ending 11/10/2023

The Dow Jones Industrial Average (Dow) finished up 0.65 percent, the Standard & Poor's 500 Index (S&P 500) added 1.31 percent and the Nasdaq Composite Index (NASDAQ) gained 2.37 percent. Sector breadth was mixed with 6 of the S&P sector groups closing higher and 5 closing lower. The Technology (+4.76%) sector was the best performer while the Energy (-3.82%) sector was the weakest.

Index*	Closing Price 11/10/2023	Percentage Change for Week Ending 11/10/2023	Year-to-Date Percentage Change Through 11/10/2023
Dow	34283.10	+0.65%	+3.43%
S&P 500	4415.24	+1.31%	+15.00%
Nasdaq	13798.11	+2.37%	+31.83%

Market Observations: 11/6/23 – 11/10/23

The major market indices finished higher for a second straight week as investors looked beyond hawkish comments from Fed Chair Powell and a rebound in interest rates following a weaker than expected 30-year bond auction. Speaking at an IMF conference in Washington, Powell said the US central bank won't hesitate to tighten policy further if appropriate and reiterated that the central bank isn't fully confident that it has tightened enough to return inflation to 2 percent. "If it becomes appropriate to tighten policy further, we will not hesitate to do so," Powell said in brief opening remarks. "We will continue to move carefully, however, allowing us to address both the risk of being misled by a few good months of data, and the risk of overtightening." Powell said policymakers are committed to returning inflation to their 2 percent target, but "are not confident that we have achieved such a stance." The substance of these remarks was very similar to what he said at the conclusion of the recent FOMC meeting, though the tone was stern and more hawkish compared to market expectations, which have become quite confident that the Fed is done.

In terms of the 30-year bond auction, overall demand was on the weak side. The auction awarded investors a yield of 4.769%, 5.1 basis points higher than the yield in pre-auction trading. The difference between the two

yields indicated a weak auction where the U.S. government had to entice investors with a premium over the market to buy their debt. Primary dealers who buy up supply not taken by investors had to accept 24.7% of the debt on offer, more than double the 12% average for the past year.

Economic Roundup: The data calendar was on the light side, as is typical during the week that follows the monthly payroll report, but there were a few nuggets worth mentioning. Recurring applications for unemployment benefits rose for a seventh straight week, adding to recent evidence that the labor market is cooling. Continuing jobless claims, a proxy for the number of people receiving unemployment benefits, increased to 1.83 million in the week ended Oct. 28, the highest since mid-April. Initial claims ticked lower to 217K in the week ending Nov. 4. The four-week moving average, which smooths out some of the volatility in the weekly data, rose to 212.3K. The Mortgage Bankers Association reported that mortgage applications rose for the first time in 4 weeks as the rate on the 30-year mortgage declined for a second straight week and now stands at 7.61% down from the recent peak of 7.90%. A report from the NY Fed showed that US households tapped their credit cards more in 3Q, when strong spending helped to power blockbuster economic growth. Household debt increased by \$228 billion last quarter, bringing the total to \$17.3 trillion, according to the report. That included a \$48 billion rise in credit-card balances to \$1.08 trillion, marking the eighth straight quarter of year-over-year increases, the report found. Credit-card balances are now \$154 billion higher than they were a year ago, the largest annual increase since the New York Fed began tracking the data in 1999.

Q3 Earnings Season: With over 90 percent of the S&P 500 members already reporting Q3 results, earnings season is quickly coming to an end. While there were several high-profile earnings disappointments, overall the quarter will likely wrap up at a better than feared pace. Through Friday, 458 members of the S&P 500 have reported results with over 81 percent beating expectations. As pointed out by FactSet, the quarter's 'beat' rate is solidly above the 5-year average of 77 percent and the 10-year average of 74 percent. Aggregate earnings for the group are up 2.7 percent, but still ahead of the flattish results the Bloomberg consensus was forecasting at the start of reporting season. On the sector front, Consumer Discretionary and Communication Services sectors have delivered the strongest growth while Energy and Health Care the weakest. According to Bloomberg data, the earnings environment is set to improve in the coming year with 2024 S&P 500 earnings growth estimated at 11.3 percent for the year followed by 11.8 percent during 2025.

The Week Ahead: The data calendar will move to the front burner with two closely watched economic releases on the docket. On Tuesday, the Labor Department will release the Consumer Price Index (CPI) data for October. According to Bloomberg, economists expect the headline year-over-year pace to show a gain of 3.3 percent down from 3.7 percent in the prior month. The closely watch core CPI—which excludes food and energy prices—is forecast to come in at 4.1 percent, unchanged from September. The other focal report will come on Wednesday when the October Retail Sales data is released. After advancing for six straight months, forecasters are expecting sales to dip by -0.3 percent after jumping by 0.7 in September, although a good portion of the decline will be a reflection of a weaker gas station sales due to the drop in gasoline prices during the month. Other data reports of interest include the October Producer Price Index (Wednesday), the November Empire Manufacturing Index (Wednesday), the November Philly Fed Index (Thursday) and Building Permits/Housing Start for October on

Friday. The Q3 earnings calendar will continue to wind down with only 14 members of the S&P 500 scheduled to release results. Amongst this group will be three members of the Dow: Home Depot, Cisco Systems, and Walmart. It will be another busy week for Fed speeches with nearly a dozen on the calendar. Another major focus will be on the political front with Congress trying to avert a government shutdown ahead of Friday's midnight deadline. APEC economic leaders will be meeting in San Francisco November 11-17. In focus will be a bilateral meeting expected between President Biden and Chinese President Xi.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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