

November 18, 2019

Weekly Viewpoint

Winning Streak Best in Two Years

Performance for Week Ending 11.15.19

The Dow Jones Industrial Average (Dow) added 1.17%, the Wilshire 5000 Total Market IndexSM (Wilshire 5000SM) gained 0.77%, the Standard & Poor's 500 Index (S&P 500) finished up 0.89% and the Nasdaq Composite Index (NASDAQ) tacked on 0.77%. Sector breadth was positive with 8 of the 11 S&P sector groups finishing higher. The Healthcare sector (+2.41%) was the best performer followed by Real Estate (+1.93%) and Utilities (+1.53%).

Index*	Closing Price 11/15/2019	Percentage Change for Week Ending 11/15/2019	Year-to-Date Percentage Change Through 11/15/2019
Dow	28004.89	+1.17%	+20.05%
Wilshire 5000	31734.80	+0.77%	+23.31%
S&P 500	3120.46	+0.89%	+24.48%
Nasdaq	8540.83	+0.77%	+28.72%

Market Observations: 11/11/19–11/15/19

The S&P 500 finished higher for a sixth consecutive week, the longest weekly winning streak in over two years. The gains reflected building hope the US and China are nearing a 'phase one' trade agreement. Most of the upside came late in the week after White House economic adviser Larry Kudlow said, "We are in communication with them (China) every single day right now," adding, "we are coming down to the short strokes," and a deal is "close" but "it's not done yet." While it still seems like there are matters yet to be resolved, investors appear to be positioning for some sort of deal in the coming weeks/months that may set the stage for a de-escalation in the trade tensions.

Adding to the positive tone was an upbeat assessment of the US economy by Fed Chairman Powell. Speaking to the House Budget Committee, Powell said the US economy remains a "star" performer and voiced solid confidence that its record expansion will stay on track.

Powell's remarks seemed to reinforce the sense that officials have done enough to keep the economy on track after three rate cuts this year, and monetary policy is probably now on hold as long as the outlook remains favorable. According to Bloomberg, the Fed and private economists project continued growth for the next two years. Economists surveyed by Bloomberg forecast growth of 1.8% and 1.9% in 2020 and 2021, while Fed officials forecast 2% and 1.9%, according to their median estimate in September.

Market View: We continue to believe the Bull Market remains intact and that further upside is likely in the month and quarters ahead. However, from a more tactical point of view, a cooling off period following the recent gains wouldn't be surprising. The year-to-date rally has been driven almost exclusively by the expansion in the market's P/E multiple, prompting concern that the market's current valuation level is looking a bit elevated relative to forecasted earnings growth. Looking ahead, upward revisions to earnings expectations will need to be the key driver of forward performance and until revisions begin to move higher, upside from current levels could be limited. On a positive note, the rally over the past three months has been led by the cyclical sectors (i.e. those levered to overall economy like Financials, Technology, Industrials & Materials), suggesting investors may be starting to position for an environment of stable to accelerating growth in the quarters ahead.

The Week Ahead: Third quarter earnings season continues to wrap up this week with 15 members of the S&P 500 scheduled to release results, many of which are part of the retailing sector. With over 90% of the S&P 500 having already reported, overall third quarter earnings season has shaped up to be better than feared with nearly 80 percent of the companies beating expectations. Reports of interest on the data calendar include; the November housing market index, October housing starts, October existing home sales, the November Philadelphia Fed business outlook survey, and the University of Michigan's November consumer sentiment survey. Another focal point will be Wednesday's release of the minutes from the October Federal Open Market Committee meeting. The Fed speaking calendar will be modest with just four events scheduled during the week.

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.

Wilshire 5000 Total Market IndexSM represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index is comprised of virtually every stock that: the firm's headquarters are based in the U.S.; the stock is actively traded on a U.S. exchange; the stock has widely available pricing information (this disqualifies bulletin board or over-the-counter stocks). The index is market cap weighted, meaning that the firms with the highest market value account for a larger portion of the index.

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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