



Weekly Market Commentary

THE WEEK IN REVIEW: Nov. 13 – 19

The back-and-forth dance continues for markets

After a strong showing the previous week, the major domestic equities gave back most of the prior week's gains and closed slightly lower last week. Markets opened weaker following comments from Federal Reserve Governor Christopher Waller, who said the [Fed has "a ways to go"](#) before ending rate hikes. On Tuesday, we had a bit more encouraging news on that front: The year-over-year producer price index (PPI) [decelerated from 8.5% to 8.0%](#) in October. The lower number means manufacturers are paying less for the things they need to produce what they sell – and hopefully those savings get passed on to the consumer. The report seemed to change Waller's stance slightly, and on Wednesday, he said the latest data had led him to favor a hike of 50 basis points (0.50%) at the Fed's December meeting. Other Fed members may share that sentiment; Fed Vice Chair Lael Brainard signaled last week that the Fed [may increase rates by 50 basis points](#) next month, instead of the 75-basis-point hikes we've seen after the last four meetings.

Last week's dip came despite better-than-expected earnings reports from retailers such as [Walmart](#), [Ross Stores](#) and [Foot Locker](#). And on Wednesday, the Commerce Department



reported that retail sales – excluding the auto industry – [rose 1.3% in October](#), the biggest gain since May. One blemish on the surprisingly positive retail picture was [Target](#), whose shares fell sharply after the company reported slowing discretionary spending over the last few weeks.

Last week also brought another round of prominent layoff announcements. Amazon, for example, [announced roughly 10,000 job cuts](#) just before the holiday shopping season kicks off in earnest. Still, despite a flurry of layoffs in the past few weeks, [initial jobless claims came in at 222,000](#), right in the range of 214,000-226,000 we've been in since September.

Divided we stand

It seemed like we waited a long time for the final verdict, but we finally know that [Republicans succeeded in flipping the House of Representatives](#) in the midterm elections. With Democrats controlling the Senate and the White House, a Republican majority in the House officially leaves us with a divided government for the next two years. We've discussed before how a divided government usually results in gridlock, which is typically a boon for markets. But we've still got a lot of challenges to work out, and that could spell more volatility for investors in the coming months.

Will that be cash or credit?

Here's an interesting factoid: In the fourth quarter of 2019, Americans were sitting on about \$1 trillion in cash. By the second quarter of this year – a mere 2.5 years later – [that amount had ballooned to \\$4.7 trillion](#).

Sadly, that cash supply seems to have dwindled, wiped out by inflation. Americans are relying more heavily on credit cards to cover their expenses, and [credit card balances increased 15%](#) in the third quarter. It's the largest year-over-year increase in more than 20 years – and that number could grow if Americans put more of their holiday shopping on plastic.



Coming this week

- The Thanksgiving holiday makes this week a short one. A couple of Fed officials are scheduled to speak in the first half of the week. Will they reinforce Waller and Brainard's signals that we could see a 50-basis-point rate hike in December?
- Most of the data will come out Wednesday, including new home sales, [which are expected to drop from 603,000 to 572,000](#) for October. We'll also get a final reading of the consumer sentiment index for November, which is forecasted to be [adjusted to 55.1 from its initial reading of 54.7](#).

Equities:	1 WK	YTD	1 YR	3 YRS	5 YRS
S&P 500	-0.69%	-16.80%	-15.71%	8.30%	8.99%
NASDAQ	-1.57%	-28.76%	-30.31%	9.24%	10.44%
DJIA	-0.01%	-7.13%	-5.92%	6.37%	7.64%

Interest Rates:	11/18/2022	11/11/2022
UST 10 YR Government Bond Yield	3.82%	3.81%
Germany 10 YR	2.017%	2.158%
Japan 10 YR	0.251%	0.235%
30 YR Mortgage	6.87%	6.91%
Oil	\$80.02/ppb	\$88.91/ppb
Regular Gas	\$3.88/ppg	\$3.91/ppg

All data as of Nov. 18, 2022



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