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Weekly Wire

November Was a Month to Remember

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Last month was one to remember. First, the markets produced strong positive gains, breaking a three-month losing streak, with November in the end being one the best months for stock and bond investors on record. We also lost numerous luminaries, including Warren Buffett's long-time business partner, investment legend Charlie Munger. Munger was an inspiration for many investors given he was a fount of wisdom not only for investing but for living. We'll miss his wise counsel.

As for last week's and last month's performance, the leading narrative for strong gains in stocks and bonds is the increasing view that the Federal Reserve is done hiking rates and that inflation is decisively slowing. In turn, there were a lot of positive headlines generated such as: US stocks now on a five-week winning streak – it's longest in over two years, the strongest month for bond markets since the 1980s, the S&P 500 had one of its best months in the last 50 years, the second-best month for the classic balanced 60/40 portfolio (as defined by S&P 500-Bloomberg Aggregate Bond Index) in more than 30 years, and U.S. home prices hitting a record high.

Given how much investor net worth grew last month, combined with encouraging economic data (including stronger Q3 GDP), it's not a surprise that the number of bearish investors dropped to its lowest levels in over eight years. Considering how much cash is on the sidelines, an increase in positive animal spirits can set the stage for increased investments heading into year-end. Note, however, that investor sentiment extremes typically set the stage for below-average (albeit positive) market returns in the months ahead.

While it would be reasonable to expect the markets to consolidate after recent strong gains ("a pause to refresh"), this Friday's unemployment data will be key to watch in terms of its potential impact on future market behavior. Current expectations are for the unemployment rate to stay at 3.9% and +200k in job growth. Those are still decent numbers, but note that a 3.9% (or higher) unemployment rate will finally activate the Sahm Rule, which would suggest that an economic recession is coming (if not already here).

Key Economic Data Last Week

Data Point	Expectation	Actual
S&P Case-Shiller Home Price Index	3.9%	3.9%
Consumer Confidence	101	102
GDP Growth Rate QoQ 2nd Est	5.0%	5.2%
ISM Manufacturing PMI	47.6%	46.7%

Source: MarketWatch, First Trust

Key Economic Data This Week

Data Point	Expectation	Release Date
Non Farm Payrolls	180K	12/8/2023
Unemployment Rate	3.9%	12/8/2023
Michigan Consumer Sentiment	61.8%	12/8/2023

Source: MarketWatch

Mind Over the Market

Humans are wired to act, markets tend to reward inaction.

The Behavioral Investor, Dr. Daniel Crosby

Trivia

In a famous speech, Charlie Munger introduced a concept about the impact of multiple psychological tendencies.

The Lollapalooza Effect