

Weekly Market Insights

November 13, 2023

All Eyes on the Government

Financial Markets

The NASDAQ Composite ended the week with its best day since May 26th, gaining 2.05%. Not to be left behind, the Dow and S&P 500 also experienced strong gains on Friday, advancing 1.56% and 1.15%, respectively. For the week, the Dow rose by 0.65%, the S&P 500 by 1.31%, and the tech-heavy NASDAQ by 2.37%. The market was led by technology stocks, which pushed the NASDAQ to outperform. All 11 sectors of the S&P 500 gained on Friday.

Friday's gains were a bit of a surprise with Chairman Powell striking a slightly hawkish tone on Thursday, when he reminded investors that the Fed would remain vigilant in their fight against inflation. There was also a weak Treasury auction on Thursday. The government auctioned \$24 billion of 30-year Treasury bonds, and the deal was far from a blowout, with primary dealers taking 25% of the auction, which is twice the amount they normally have to buy. The 30-year auction is always interesting because that particular maturity, the longest dated security issued by the Treasury Department, is normally domain to insurance portfolios and pension funds. Those investors normally have a very different set of objectives than investors of shorter maturity Treasuries. Most notably, they are inclined to try to match durations with their liabilities.

The Economy

We wrote earlier about the Fed signaling that they will continue to keep a close eye on the various economic pressures that may reignite inflation. This is a positive for the Fed and a positive for investors, as Fed vigilance is paramount in keeping inflation under control. While any sign of hawkishness from the Fed will continue to be met with market volatility, dedication to controlling inflation is undoubtedly a positive in the long-term. The other concerns are not so positive. The political malaise is perhaps the most obvious. It has tremendous effects both domestically and internationally. The debate continues over whether the country will have a new budget or be funded by a continuing resolution. Until recently, the House couldn't even elect a Speaker. We wrote about this last week, but, even with a Speaker now in place, several questions remain. We really don't know where Speaker Mike Johnson stands. The decisions that will be made are remarkably fractious, and it will take great negotiating skills and leadership to push through the compromises that will be necessary. As far as we know, Speaker Johnson has held no previous leadership roles. His ideology is not particularly clear, but perhaps that is a good thing for negotiating.

Internationally, there are two wars going on, and, while neither has the United States as an active combatant, they are expensive to support and a cause of domestic friction. If these observations make things seem a bit hopeless, that is not intended. None of the problems are insurmountable. In fact, a bit of cooperation solves most issues.

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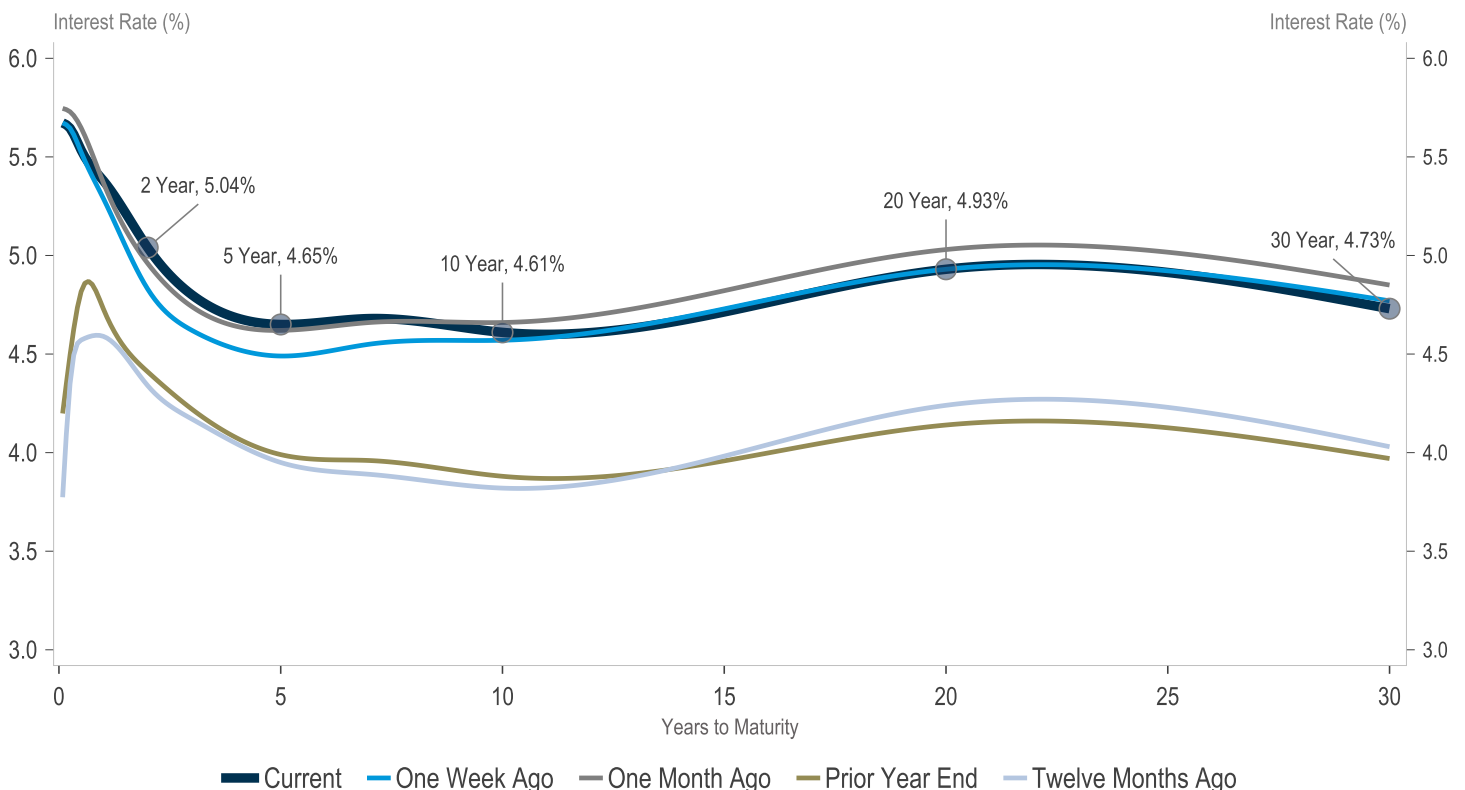
Conclusion

It is always very difficult to write a conclusion, as economies and markets really have no conclusion. We have no real idea how the global conflicts end. The economy appears to be in decent shape, but keep an eye on politics. It is more than reasonable for investors to expect continued volatility.

There are two fabulously interesting and vitally important topics that need to be discussed in some detail—the economic problems of China and a positive spin on AI. We will tackle these issues next week. Both have enormous roles to play in the long-term growth and wellbeing of the United States economy.

Yield Curve

Interest Rates for U.S. Treasury Securities by Maturity Date





U.S. Department of Treasury, Daily Treasury Bill Rates Data
Data as of 11/10/23

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