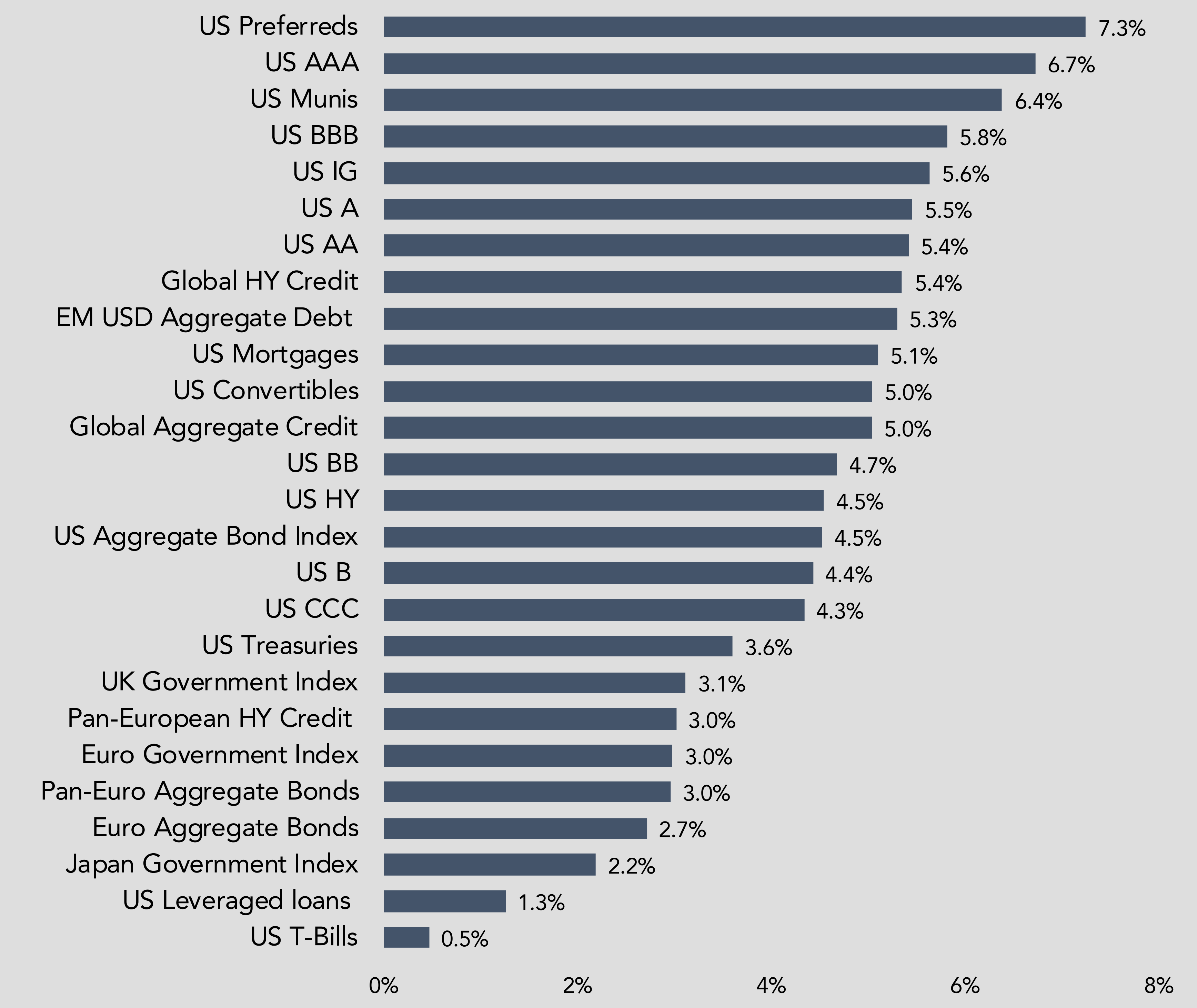
Capital Markets Strategy
Essential inCights for the C-Suite

Monthly Market Recap

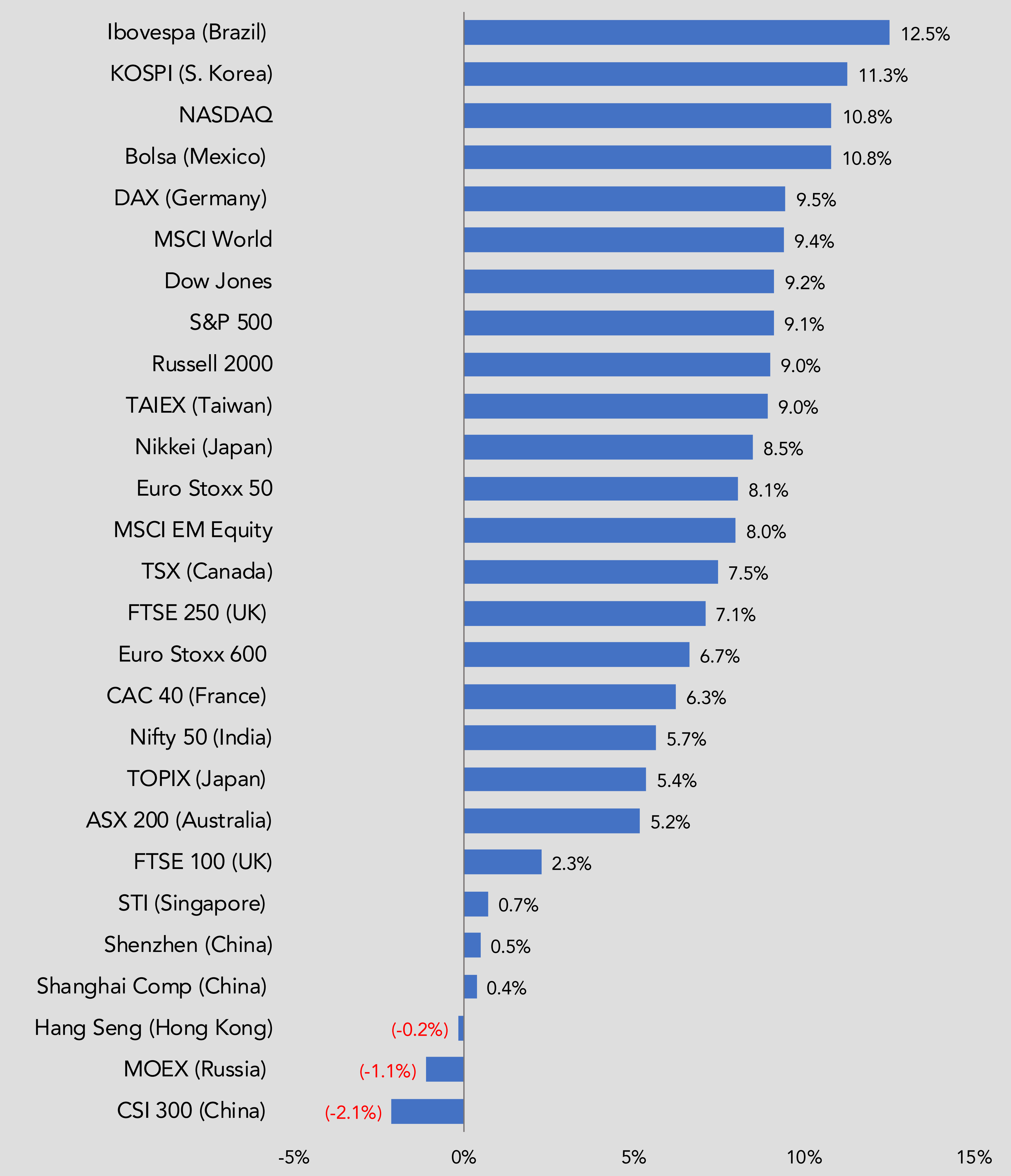
US Dollar bond market returns in November had one of their strongest months since the 1980s as investors weighed weaker economic data with optimism around a soft-landing. As the month progressed, investors not only priced the end of the Fed tightening cycle, but nearly 150 bps of rate cuts for 2024, beginning in March. Against this backdrop, the Bloomberg US Aggregate bond index rose nearly 5% in November, while US Treasuries recorded their strongest monthly returns since November 2008. Higher rated credit outperformed lower-quality credit on the month.

Credit monthly performance



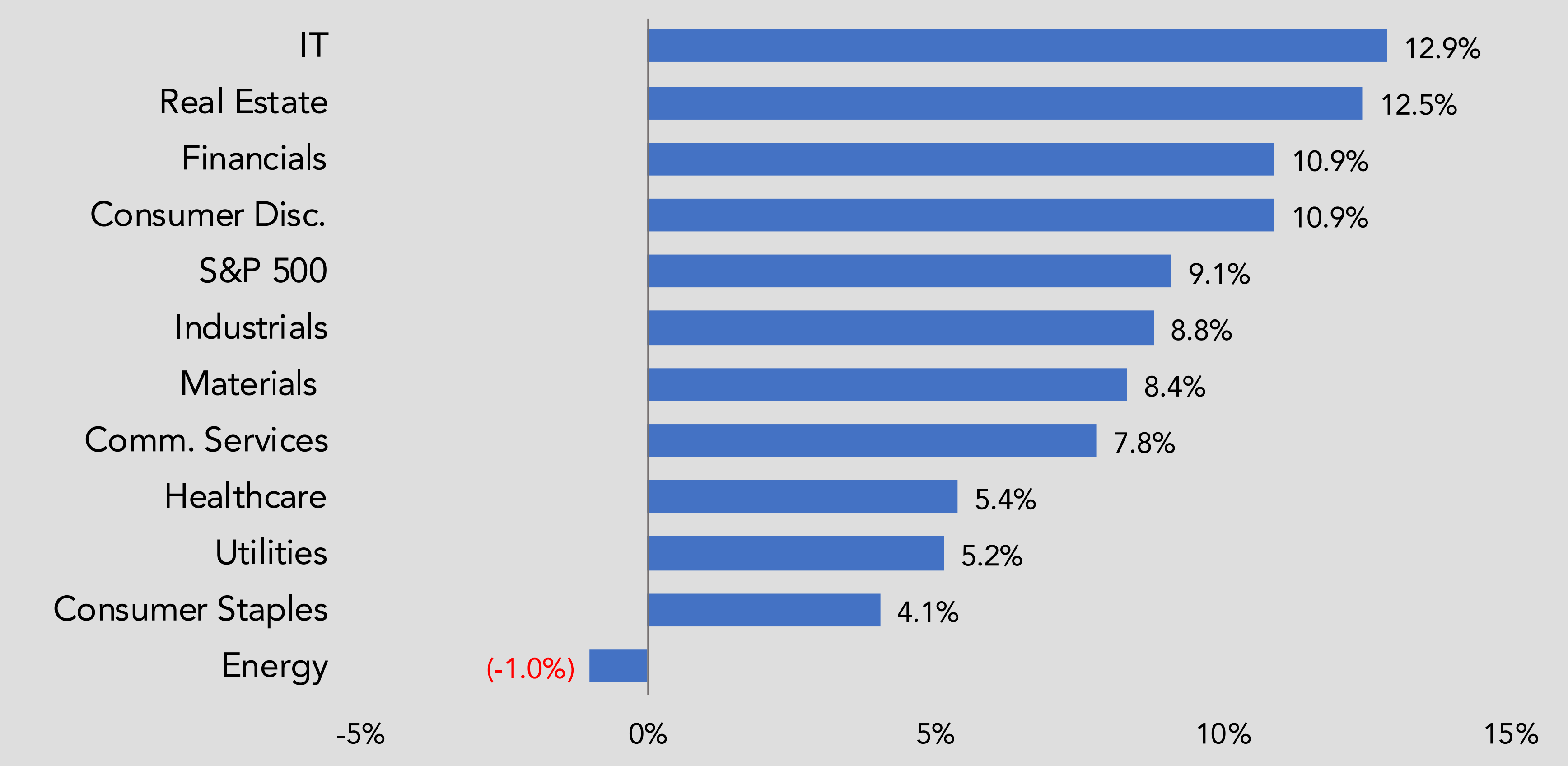
A sharp decline in yields across government bond markets in November drove a surge in equity markets globally. The S&P 500 posted its 2nd strongest November since 1980, with the index up 9.1% on the month, an aggregate $3 trillion increase in market capitalization. The S&P 500 has only risen more than 8% in a single month on 10 occasions since 1928. Up 11%, the NASDAQ had its strongest month of the year. Despite heightened geopolitical risk, the VIX volatility index traded down to its lowest levels in four years.

Regional equity market performance



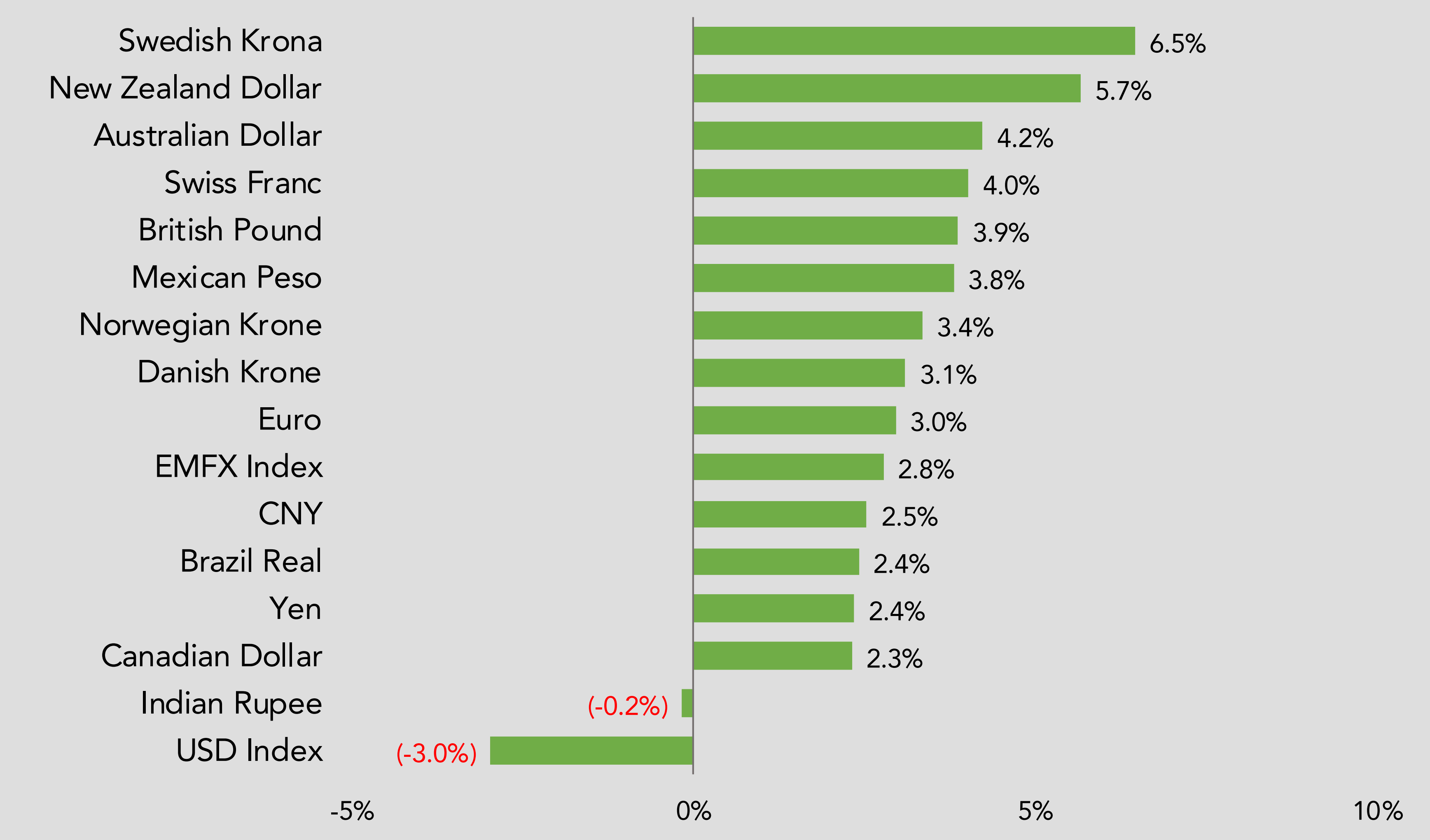
Strength in US equities was broad-based, with 10 of 11 S&P 500 industry sectors rising sharply on the month. Second only to technology in November, the interest rate sensitive real estate sector posted its strongest monthly gains since 2011. Energy was the only sector in the red, declining 1% in the month on the back of a 6% drop in oil prices and a 21% decline in US natural gas.

S&P 500 industry sector performance



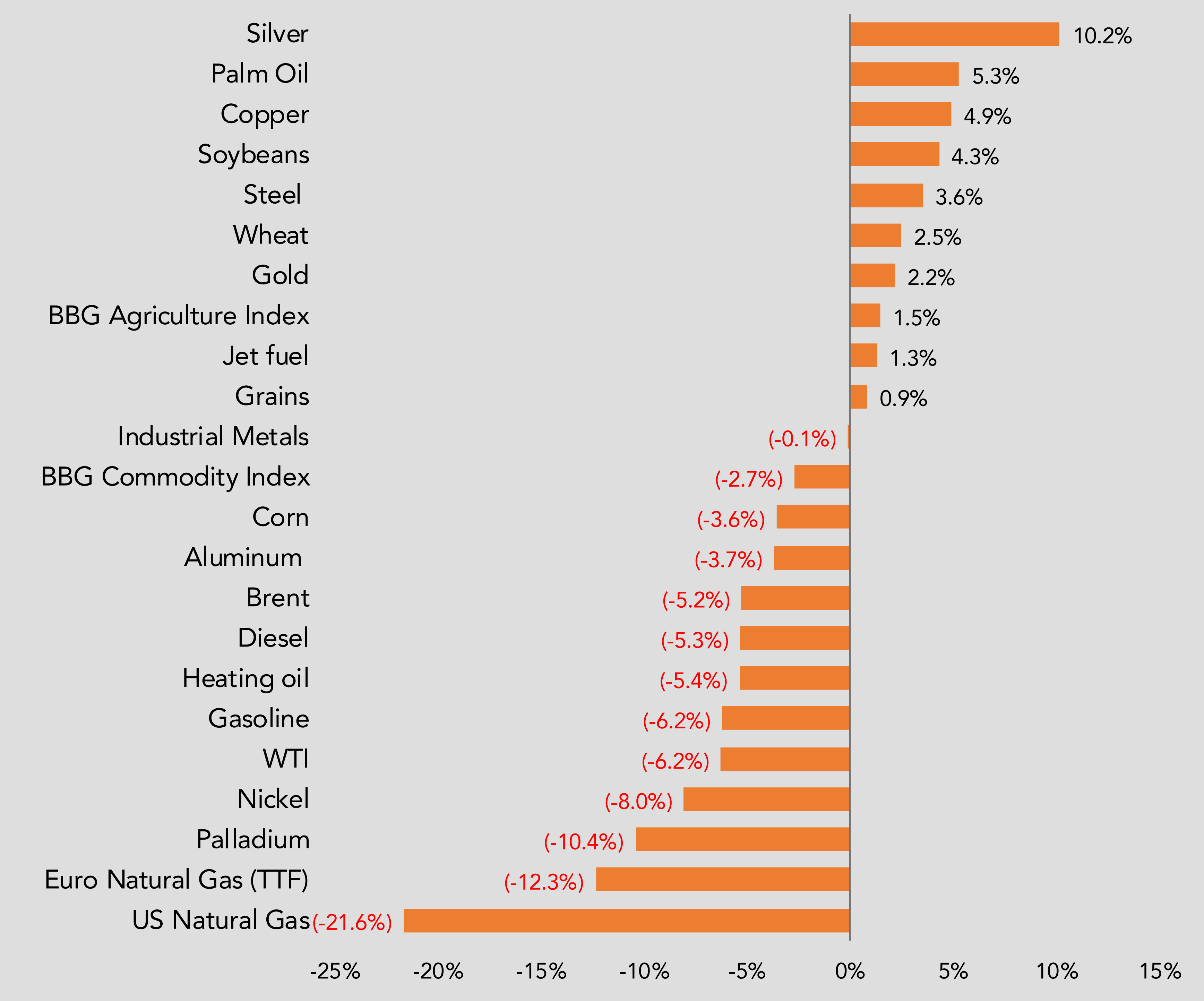
The US Dollar in November posted its worst performance in a year on the back of softer US economic data and view that the Fed tightening cycle is now complete. On the month, the US Dollar depreciated vis-a-vis both G10 and the index of emerging market currencies.

Currencies monthly performance vs. USD



While agriculture prices moved higher on the month, commodity prices were generally softer in November following strong gains in Q3. Energy prices from oil to natural gas drove the decline as demand expectations softened concurrently with increased supply. Following the shock of Middle East escalation in early October, tail risk scenarios remained relatively contained in the month of November. Gold, historically negatively correlated with stocks and bonds, nonetheless rose over 2% on the month.

Commodities monthly performance



Source: (1) Bloomberg. Data as of November 30, 2023. All values are total return for the month except commodities and currencies, which are price change. Commodities Index and Agriculture Index are total return.

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"Macro stability isn't everything, but without it, you have nothing."