CWP | PRIVATE WEALTH MANAGEMENT

November 2023

Monthly Market Commentary

Now that we are past the "Spooky Season" we can direct our attention to "Turkey Season." This is a fun time of the year. Christmas music is on the radio for all to hear as cities, stores, and families prepare for the upcoming holiday season. Then, we get to enjoy Thanksgiving in the mix of it all! While Thanksgiving is a day filled with lots of turkey, stuffing, and football, we hope that you can give thanks to all that you are thankful for!

The appetite for global risk assets and bonds deteriorated further in October with multiple headwinds resurfacing as we progress over the fourth quarter. The US economy has seen a slowdown from its peak in 2021 but remains much more resilient than expected while major economies in Europe are officially in contraction. With inflation still elevated relative to central bank targets, bond yields continue to remain elevated as inflation expectations have once again started to move higher and remain anchored with a second FED pause in the rate hike cycle in their last policy meeting. Markets are trapped between the impacts of a premature pause and a restart of rate hikes in the hiking cycle which keeps interest rate volatility elevated and interest rates higher for longer to achieve their goal of 2% inflation. This was reflected in a quick spike in yields post their prior FED policy meeting in anticipation that the FED was going to fall behind the curve once again vs a quick drop in yields post their latest meeting which coincided with lackluster economic data. This shows signs of high levels of uncertainty and a lack of clear direction that market participants anticipate. Further, economic data has been subject to revisions lower consistently vs initial reports that were reported stronger than expectations adding another layer of ambiguity about the underlying strength in the economy on which policy is curated. As a result, markets are struggling to find direction with heightened uncertainty and may continue to be range bound until we get a clear trajectory of inflation and growth on a forward-looking basis. However, after a sustained period of weakness seen over the last few months, there are some tactical opportunities that are surfacing that we intend to take advantage of to adjust exposures higher and lower opportunistically. Broadly, global economies are approaching the late part of their economic cycle and there is a high probability to see a trough in the cycle over the next three quarters, which may be sporadic in different countries compared to synchronized as seen in other cycles.