We hope this email finds you well! November offered a different feel for U.S. equity markets, with a seemingly calmer environment and friendly Federal Reserve comments toward the end of the month. Market bulls are somewhat jubilant about the prospects of a smaller rate hike at the December 14th Fed meeting.

For the month of November, the S&P 500 added [5.38%](https://www.investing.com/indices/us-spx-500-historical-data), the Nasdaq 100 tacked on [5.48%](https://www.investing.com/indices/nq-100-historical-data), and the Dow Jones Industrial Average increased by [5.66%](https://www.investing.com/indices/us-30-historical-data).

**Federal Reserve Rate Decision & Jobs Data**

Kicking off the month on November 2nd, the Fed delivered a widely expected 75-basis-point hike, making the effective Federal Funds Rate 3.75% - 4.00%–in line with market expectations. Markets now expect a [50-basis-point](https://finance.yahoo.com/news/powell-december-signals-50-basis-points-183019709.html) hike at the December 14th meeting.

Despite Fed interest rate hikes, labor market data continues to exceed expectations. October non-farm payroll data showed a strong labor market with 284,000 jobs created according to revised data. This was notably higher than expectations of 195,000.

November [jobs data](https://www.cnbc.com/2022/12/02/jobs-report-november-2022.html) also showed job gains exceeding expectations–more on that later.

**Inflation & Consumer Health**

October Consumer Price Index (CPI) [data](https://www.cnbc.com/2022/11/10/heres-the-inflation-breakdown-for-october-2022-in-one-chart.html) showed a decline to 7.7% year-over-year versus expectations for 7.9%, spurring talks of peak inflation having passed.

October Core CPI (which strips out food and energy costs) also came in below expectations at 0.3% month-over-month versus the 0.5% forecasted.

Retail sales also showed a [surprise jump](https://www.cnn.com/2022/11/16/economy/us-retail-sales-october/index.html) in October, although inflation could be causing a data skew. The consumer seemed ready, willing, and able to spend, with a jump of 1.3% month-over-month versus expectations of 1.0%.

Core retail sales (which takes out the sale of automobiles) jumped heavily, showing a 1.3% month-over-month gain versus expectations of 0.4%.

While spending looks good for consumer health, initial consumer sentiment data was disappointing, showing a reading of 54.7 versus 55.0 expected in the preliminary University of Michigan consumer sentiment data.The figure was revised higher to [56.8](https://news.umich.edu/high-interest-rates-stock-market-turmoil-add-to-consumer-worries/) upon the final data release.

**Fed Signals Smaller Increases**

As the markets looked ahead to Thanksgiving, [minutes](https://www.cnbc.com/2022/11/23/treasury-yields-as-traders-await-fed-minutes-key-economic-data.html) from the last Federal Reserve meeting gave traders and economists some holiday cheer.

The minutes showed that the Fed is looking to change gears to smaller interest rate hikes “soon.” Some Fed officials, including Federal Reserve Governor Christopher Waller, say they are open to a 50-basis-point hike at the December meeting instead of the 75-point hikes that have become the recent norm.

The December Fed meeting is right around the corner on December 14th, and markets are currently favoring a 50-basis-point hike (74.7% probability) vs. a 75-basis-point hike (25.3% probability), according to the [CME FedWatch Tool.](https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html?redirect=/trading/interest-rates/countdown-to-fomc.html)

Smaller increases would cause market bulls to cheer. We’ll see what happens on December 14th.

**Bond Yields Fall**

The widely monitored 10-Year Treasury Note Yield declined in November, its first monthly decline since July. It ended the month at a yield of 3.702%. The 10-year yield continued its decline during the first two trading days of December, with its weekly close on December 2nd resting at [3.507%](https://www.tradingview.com/x/g9ZvuWOb/).

Shorter duration bond yields also declined in November. Lower yields look encouraging and could help to stimulate lending across real estate markets. However, the 2/10 yield curve remains inverted.

**Too Calm?**

Short-term market volatility has subsided impressively, with the CBOE Volatility Index falling to levels not seen [since August](https://www.tradingview.com/x/tvF5GwNQ/). When volatility falls, it translates to investor fear leaving the marketplace.

Some investors also watch the CNN Fear and Greed [Index](https://www.cnn.com/markets/fear-and-greed) to gauge investor sentiment, which is not showing signs of investor fear as of the time of writing.

As long-term investors, market sentiment in the short term is not a major deciding factor for most of us. However, it can be helpful for those employing dollar cost averaging techniques.

**Key Technical Level**

On the final trading day of November, the S&P 500 traded and closed above the widely watched 200-day moving average of around 4050. The first two days of December have seen the S&P 500 trading on both sides of this key technical level and [closing above it](https://www.tradingview.com/x/Ql5E4Gje/).

The S&P 500 had not closed above its 200-day moving average since April 2022.

The 200-day moving average is calculated by taking the last 200 closing prices and dividing the total by 200. It is a widely followed metric used by many market participants.

**December Preview**

Looking at the first few days of December, positive news abounds. December 1st featured the Core Personal Consumption Expenditures (PCE) Price Index coming in [below expectations](https://www.cnbc.com/2022/12/01/key-inflation-measure-that-the-fed-follows-rose-0point2percent-in-october-less-than-expected-.html). Core PCE is the Fed’s preferred measure of consumer inflation.

On December 2nd, the [latest job report](https://www.bls.gov/news.release/empsit.nr0.htm)once again beat expectations. The strong labor market should help leave the door open for future Fed rate hikes, although markets expect them to be smaller.

However, what will the Fed’s terminal rate (the highest interest rates will go in this cycle) be? Some believe that the terminal rate may increase, albeit in smaller rate hike increments for an extended period.

**Inflation & Fed Remains Key Theme**

It is still all about inflation and the Fed. However, according to [data](https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_120222A.pdf) from FactSet, S&P 500 earnings showed 70% of S&P 500 companies reported a positive earnings per share (EPS) surprise for the third quarter, with 99% of S&P 500 companies reporting actual results.

Traders are looking ahead to the latest inflation data via the CPI release on Friday, December 13th, and the Fed Rate decision the next day on the 14th. The second week of December is sure to be a busy one!

With that said, while our team is dedicated to keeping you informed of the most recent market developments, it’s important to remain focused on the long term amid shifting market dynamics.

If you have any questions or want to discuss any of these topics highlighted here, please reach out to Info@PlanWithRFG.com or call us at 513.232.6500 to schedule a meeting with your team!

Live for Today. Prepare for Tomorrow. Plan for Life.

Warm regards,