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November 2017: Market Review

Global equity markets were positive in November, driven higher by hopes of tax cuts in the U.S. The Dow Jones Industrial Average gained 4.24% and closed above 24,000 for the first time ever in November. It is up 25.69% year-to-date. The S&P 500 Index returned 3.07% and has added 20.49% thus far in 2017. The NASDAQ Composite Index was up 2.17% in November, bringing its year-to-date return to 27.70%.

In U.S. economic news, the second reading of third quarter real GDP growth came in at 3.3%, the best rate in three years. Additionally, this has been the first back-to-back 3%+ growth quarters since the fall of 2014. Senate negotiations are ongoing after concerns were raised that proposed tax cuts in the Trump administration's tax bill would not pay for themselves over the next decade. Markets are pricing in a higher than 90% probability that the Federal Reserve will increase rates at its December meeting. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.35% in September, while on a year-over-year basis, prices were 6.15% higher than a year ago. Among commodities, WTI crude oil ended November at $57 a barrel, up from October's closing price of $54. In an effort to boost prices, OPEC and other oil-producing countries agreed to extend cuts in production until the end of 2018. Gold closed the month at $1,273 per troy ounce, up from $1,267 at the end of October.

Value-style equities narrowly outperformed growth stocks in November. Among large cap stocks, the Russell 1000 Value Index added 3.06% during the month and has risen 12.03% year-to-date, while the Russell 1000 Growth Index gained 3.04% and is up 29.21% year-to-date. For small cap stocks, the Russell 2000 Value Index rose 2.89% and is now up 8.88% in 2017, while the Russell 2000 Growth Index added 2.87% in November and has returned 22.03% year-to-date. The Russell Midcap Index gained 3.36% for the month and has returned 17.43% year-to-date.

International equities were positive in November, but underperformed U.S. markets. The MSCI EAFE Index was up 1.05% for the month and has returned 23.06% thus far in 2017. The MSCI Europe Index rose 0.22% and is up 23.64% year-to-date. The MSCI Pacific Index added 2.58%, lifting its gain so far this year to 22.56%. The MSCI Emerging Markets Index gained 0.20% in November and is up 32.53% year-to-date, which leads all major equity benchmarks in 2017. In November, the index was aided by positive performance from major EM countries like South Africa (+8.92%), Russia (+3.39%), and China (+1.56%).

U.S. fixed income markets were mostly negative in November, as the probability of increased growth and inflation due to tax cuts rose. The yield on the 10-Year Treasury closed November at 2.42%, up from October's close of 2.37%. The Bloomberg Barclays U.S. Aggregate Bond Index dropped (0.13%), but is up 3.07% year-to-date. The Bloomberg Barclays U.S. Treasury Index lost (0.14%) in November, but has gained 2.00% for the year. The Bloomberg Barclays Treasury 20+ Year Index added 0.80% during the month and is up 7.04% in 2017. The Bloomberg Barclays Corporate High Yield Index fell (0.26%), but has gained 7.18% year-to-date.

U.S. equity markets hit fresh highs in November on a better-than-expected GDP reading and continued hope for tax cuts. Investors will be watching to see what form the tax bill takes after it is debated in the Senate, as well as for cues from the Federal Reserve on future interest rate expectations.