Weekly Market Review

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The Week Ending November 30, 2019

Considering last week was a slow, holiday week and it marked the end of November, this week is going to be more of a month in review. After much anticipation of value stocks beginning a period of outperformance over growth stocks to end the third quarter, growth continued its bull market trend by outpacing value stocks in November. The best performing style box on the year is actually mid cap growth. Mid cap stocks are often overlooked in asset allocation but tend to offer less risk than small cap stocks, and better growth rates than large cap stocks over the longer term.

Despite calls at the beginning and throughout 2019 that stock markets would be in a bear market and the U.S. economy in a recession, the S&P 500 Index has finished positive in all but two months on the year. The S&P 500 showed it still has momentum as it registered 11 new closing highs in November and is up 27.6% through the first 11 months of the year.

A trend over September and October was foreign stocks finally topping U.S. stocks. This came to an end in November as the U.S. Dollar strengthened and hurt foreign stocks as they attempted to outperform their U.S. counterparts. November saw some dispersion in returns, like commodities, REITS, and non-U.S. bonds finishing the month in the red, but overall just about every area of the market has produced positive performance so far for 2019.

Similar to prior months this year, trade rhetoric and monetary policy led market performance. The Fed ended October by cutting rates for a third consecutive meeting and releasing a dovish statement, which produced a positive reaction from markets and started November on a positive note. The Federal Reserve was not the only central bank to make headlines in November, as Christine Lagarde took the reins from Mario Draghi as head of the European Central Bank. It is still unclear how she might change the direction of monetary policy in Europe as the negative interest rate experiment does not appear to have worked as originally thought.

The trade front continues to be impossible to predict and is constantly throwing a curve ball to the market. Unfortunately, this is likely to continue into 2020. We have already seen companies make changes to their supply chains and operations to avoid as much of the tariffs as possible. This is a trend that will be seen in companies' earnings reports and they are likely to discuss going forward. Recently, the market seems to be discounting any positive developments coming out of China, but volatility will likely remain as negotiations continue with China and other nations.

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