



Weekly Market Update

U.S. equities bide time in light holiday-week trading

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Article Highlights

- U.S. equities are mostly quiet ahead of Thanksgiving, but we still expect the S&P 500 to reach new highs by year-end or in early 2016.
- European stocks are volatile as positive economic news is tempered by geopolitical tensions.
- U.S. Treasury yields remain range bound.
- The upward revision to Q3 GDP reinforces our view that the U.S. economy remains on a moderate growth path.

November 25, 2015

Equities

U.S. equity markets were quiet during this holiday-shortened week. The S&P 500 Index was flat for the first two days of the week amid light trading. In Europe, stocks rallied on November 25 after falling sharply the day before, as the downing of a Russian fighter jet by the Turkish military unnerved investors.

Fixed Income

The 10-year Treasury yield hovered around 2.25% during the week and has stayed in a range between 2.24% and 2.34% for most of November. As with U.S. equities, fixed-income markets were mostly uneventful, although Treasuries fared slightly better than investment-grade spread sectors, high-yield corporate bonds, and emerging-market debt.

Current updates are available [here](#).

U.S. GDP growth is revised higher, while other data is mixed

The government raised its estimate of third-quarter GDP growth from 1.5% to 2.1%, in line with our expectations. Details of the report showed that a strong upward revision in inventory spending more than offset small downward revisions in other spending categories.



Financial Services

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Among the other reports:

- **First-time unemployment claims** fell to 260,000, near a 42-year low, while the less volatile four-week moving average was unchanged at 271,000.
- **Existing home sales** fell 3.4% in October but rose 3.9% compared to a year ago.
- **New home sales** surged 10.7% in October from September's downwardly revised total.
- **U.S. home prices** increased 0.8% in October and were up 4.9% from last year, according to the S&P/Case Shiller 20-City Composite Index.
- Although **consumer spending** barely rose (+0.1%) in October, **personal incomes** climbed 0.4%, the latest in a string of steady gains.
- Orders for **durable goods** (aircraft, machinery, computer equipment, and other big-ticket items) rose by a better-than-expected 3% in October.
- **Consumer confidence** unexpectedly fell in November, based on The Conference Board's monthly index, while the final November reading of the University of Michigan **consumer sentiment** index also declined.
- **U.S. manufacturing** dipped to 52.6 in October, its lowest level in over two years, according to Markit's "flash" (preliminary) Purchasing Managers' Index (PMI). (Readings over 50 indicate expansion.)

Outlook

Supported by some positive economic reports, the S&P 500 Index continues to move higher in spite of recent geopolitical tensions in the Middle East. Domestic companies with greater international exposure are doing better, bolstered by improving overseas economies. In the Eurozone, for example, a gauge of manufacturing and service-sector activity enjoyed its fastest rate of growth in more than four years. Meanwhile, a slowdown in the dollar's rise is making U.S. goods more competitive in foreign markets.

The next Weekly Market Update will be published on Friday, December 4.



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