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Weekly Market Update

Equity markets hope to sustain a “Santa rally”

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Article highlights

- The S&P 500 Index climbs back into positive territory for the year to date.
- The 10-year U.S. Treasury yield edges higher but stays range bound.
- Third-quarter GDP growth is revised down slightly to 2.0%, while consumer data remains a bright spot.

Equity and fixed-income markets

Equity markets began the holiday-shortened week in mixed fashion. Amid seasonally light trading, the S&P 500 Index climbed back into positive territory for the year to date through December 22, as investors appeared to be positioning for a so-called “Santa rally”—a rise in stock prices that is often observed in the week between Christmas and New Year’s.

In Europe, the broad STOXX 600 Index also got off to a good start, despite concerns that an inconclusive outcome in Spain’s general election will lead to a prolonged period of political uncertainty. Meanwhile, Japan’s Nikkei 225 Index declined but continues to be one of 2015’s best-performing markets.

In fixed-income markets, the yield on the bellwether 10-year U.S. Treasury rose amid a slight rebound in oil prices. For most of December, the 10-year yield has traded between 2.20% and 2.30%. High-yield bonds posted a modest gain to start the week.

Current updates are available here.

Consumer data highlights a mixed week for U.S. economic reports

- **GDP.** According to the government’s third and final estimate, the U.S. economy grew at an annual rate of 2.0% in the third quarter, down slightly from the previous estimate of 2.1%. The decline was largely the result of a larger-than-expected trade deficit and a smaller buildup in inventories than earlier estimates showed.
- **Consumer sentiment** topped forecasts by rising to 92.6, as measured by the final December reading for the University of Michigan index, and **consumer spending** ticked up (+0.3%) in November after holding steady in October.

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Financial Services

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- **Personal income** rose in November (+0.3%) for the eighth straight month on solid wage gains, an increase that bodes well for continued consumer spending growth next year.

- **New home sales** jumped 4.3% in November and 9.1% from a year earlier. Sales for **existing homes**, however, fell 10.5%, to their slowest pace in 19 months, and 3.8% compared to a year ago—the first year-over-year decrease since September 2014. Tight supply and new regulations that have lengthened the time to mortgage closings may have been behind the decline.
- Orders for **durable goods** (aircraft, machinery, computer equipment, and other big-ticket items) were unchanged in November.
- **Inflation**, as measured by the PCE index, the Federal Reserve's preferred inflation gauge, rose 0.4% in November compared to last year, marking the largest 12-month gain since the end of 2014.

Another abbreviated edition of the Weekly Market Update will be published on December 30, with our normal schedule set to resume on Friday, January 8, 2016.