It seems hard to believe that we are beginning the last month of the year. November did not disappoint if you were looking for some action in the markets. As earnings wound down for the quarter, traders had many other things to focus on for the month. Talk of climate change made the way again as California was ravaged by not just one but two major wildfires. Signs of the economy slowing put focus on the Federal Reserve again, regarding the trajectory of interest rates. Oil declined quite dramatically, giving rise to the question of whether it was due to oversupply or lack of demand. Analysts were waiting to see if the consumer would rise to the occasion by shopping on Black Friday and Cyber Monday, living up to the high consumer confidence numbers that have been reported throughout the year.

Without any deal in the books with China, focus was also on the G20 gathering in Buenos Aires and the meeting scheduled between President Trump and President Xi.

Investors were happy to turn the calendar to a new month after the tumultuous October we had experienced. Although we got off to a good start, markets quickly gave back the gains as investors focused on rising mixed signals from the economy. The effect of rising rates is beginning to appear in the housing market as sales of new homes has tumbled to a more than 2½ year low amid sharp declines in all four regions. The Commerce Department reported that sales had declined by 8.9%, the largest drop since December 2017. Although new homes represent a small percentage of the housing number, it is an important indicator for the economy due to the spillover effect. New homes drive construction jobs and spending on items such as furniture and appliances. The chief economist for the National Association of Homes cited rising home prices, rising mortgage rates, shortage of supply, and that wages have not kept up with the rate of increasing prices, affecting affordability for many new home buyers.

Earnings season also showed some reason for concern. With another strong quarter of earnings, it was disappointing to see stocks shrug off the good news and focus on some of the concerns. Overall corporate earnings grew by 26%, with sales growth coming in at 8%. One source of concern came from overseas. U.S. companies reported overall profit growth from overseas of 7% in the third quarter, which on the surface seems strong. The concern came from the fact that profit growth was 13.7% and 15.6% in the second and first quarter respectively. Companies cited slowing growth from China and hindered contracting output from Germany and Japan. Domestic profits rose 10.8% in the third quarter, the strongest pace since 2012. However, looking forward, headwinds to U.S. profit growth could be building. Companies are now beginning to grapple with rising material and labor cost, as well as the uncertain trade environment.

This factor is leading to forecasts declining for 2019. A CEO of a large instruments maker once characterized this environment well by stating it is, “sunny weather but clouds on the horizon.”

Black Friday did little to ease the confusion. The traditional Black Friday has been changing for the last decade and this year was no different. Trying to make comparisons has become nearly impossible as traffic has moved from the mall to the computer and the smart phone. The timing has moved from a one to two-day event to a five-day event. Some retailers have even begun to offer deals the weekend before in order to get ahead of the competition for those early shopping dollars. The initial reading indicated that about 165 million people shopped in stores and online during the five days beginning on Thanksgiving Day. That is down about 5% from the 174 million people during the same period last year. While overall traffic was down, internet sales from Wednesday through Black Friday were up 26.4% from a year earlier, according to Adobe Systems. On Cyber Monday, online sales rose 19.3% to
The Glass is Half Full?

-$7.9 billion, making it the largest online shopping day Adobe has ever tracked. Analysts will not know until the month is in the books if consumers were really willing to step up and spend this holiday season.

In our new world of online everything, I was reminded once again of how much this new digital world has changed our lives. Data and access to it, is at the heart of all of this. I therefore found this statement shocking, “as a society, we produced more data last year than we did in the whole history of humanity,” according to Yale Finance Professor, Tobias Moscowitz. With all the debate over who owns your information and who should regulate it, the new technology being utilized to get faster and more accurate information on our spending may certainly raise some eyebrows. In order to track shoppers more efficiently than we ever have, a company called Thasos takes data from over 500 million cell phones and can track where shoppers are. More than 1000 apps kept on our phones, such as a weather app, can track where you are. That data is being compiled and then loaded into maps of what retailers are in the area in a way to determine who is getting the traffic. This data is then sold to a variety of companies. Another company, Earnest Research, compiles anonymized reports of spending by millions of customers at hundreds of stores and can track “essentially what you would see on your debit or credit card statement.” This information would include the size of the purchase and the name of the company, but not exactly what you bought. Big Brother is actually watching as satellites, drones, balloons, and unmanned aerial vehicles manned by Orbital Insight, snapping photos and capturing information that would be difficult to get from ground level. So, the next time you check the weather or pull up Google Maps, you can know that somebody really is watching!

It was the Federal reserve that rescued the month after the Thanksgiving sell-off. In an unceremonious speech on the 28th, Federal Reserve Chairman, Jerome Powell, simply stated that “interest rates appear to be just below what economists estimate would constitute a neutral level, one that would neither speed nor slow economic growth.” This set off a rally midday, culminating in a 600-point gain. This was a stark change in tone from October when he indicated rates were a “long way” from neutral. This emboldened investors to move back into stocks on the belief that there may be fewer rate hikes next year than originally assumed. He went on to say that the threat of shocks from the current trade tensions with China and the Brexit fears in Europe could have an economic impact in the future. He indicated the economy is in good health and his desire to move at the right pace.

By the time we finished another volatile month, the Dow had gained 1.68%, the S&P was up 1.79% and even the Nasdaq turned positive with a 3.4% gain. Ten-year treasury rates were down on the month closing out at just over 3% and oil was the big loser giving back over 22%. News of a 90-day window for the President to find common ground with China could help provide a strong finish to a challenging year. While most investors do not believe that a full agreement will be reached in such a short period of time, a productive dialogue would be welcome news to the markets.

As the year very quickly comes to a close, we hope that you all get to take time to spend with family, friends, and those you love during the Holiday Season!