Summary

In a holiday-shortened week, economic data was light, consisting of increases in home prices from the fall, while jobless claims continued to be little changed.

Global equities saw gains to close out the year, with emerging markets outperforming developed. Bonds saw minor gains as interest rates were stable to lower. Commodities fell back, largely due to continued weakness in crude oil.

Economic Notes

(+) The **S&P Case-Shiller 20-city home price index** rose 0.6% in October, matching expectations and a pace similar to that of the prior month. Almost all cities saw rising prices, led by 1%+ changes in Detroit, Phoenix, and Boston, while Portland prices fell by a tenth of a percent. The national year-over-year growth rate reaccelerated from 3.9% to 4.9%. While old news by the time of release, this continues to point to a robust housing market, helped by very tight supply conditions.

(0/+) The **FHFA house price index** rose 0.3% in October, about half the pace of the prior month and below the 0.5% increase expected by consensus. By region, prices in the Mid Atlantic (NY/PA/NJ) rose by just over 1%, while New England saw a decline of -0.3%. Year-over-year, the pace ticked up a bit to 6.3%, again led by the Mid Atlantic, while the Mountain states saw a rise of just under 3%. Prices were noted by the FHFA as remaining strong, although they've moderated in recent months. This dataset, compared to the more focused S&P Case-Shiller, includes 400 U.S. cities in all 50 states, using millions of transactions dating back to the mid-1970s, so offers a more unique and comprehensive view of the country. However, it is also a bit dated in its release, so may not reflect changes related to faster moves driven by interest rates.

(0/-) **Pending home sales** were unchanged in November, in contrast to expectations of a 0.9% increase. Regionally, the West saw a rise of 4%, while sales in the South fell by -2%. Year-over-year, pending sales improved slightly to -5%. This metric translates to existing home sales in coming months, which looks lackluster.

(-/0) **Initial jobless claims** for the Dec. 23 ending week rose by 12k to 218k, above the 210k median forecast. Continuing claims for the Dec. 16 week rose by 14k to 1.875 mil., matching consensus expectations. Initial claims rose by 7k in CA, but were little changed other than larger states incurring larger claims numbers, as would be expected. Over the past year, on a seasonally-adjusted basis, initial claims have bounced around between 190k and 260k (briefly), which is the range they've been in over the past two years since descending from Covid highs. There appears to be little sustained movement upward, which would be a negative, indicating erosion in labor market conditions.

Market Notes

Period ending 12/29/2023	**1 Week %**	**YTD %**
DJIA	0.81	16.18
S&P 500	0.34	26.29
NASDAQ	0.14	44.64
Russell 2000	-0.28	16.93
MSCI-EAFE	1.16	18.24
MSCI-EM	3.24	9.83
Bloomberg U.S. Aggregate	0.48	5.53

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2022	4.42	4.41	3.99	3.88	3.97
12/22/2023	5.44	4.31	3.87	3.90	4.05
12/29/2023	5.40	4.23	3.84	3.88	4.03

U.S. stocks ended 2023 seeing gains for the ninth consecutive week, despite low holiday volume. By sector, defensives consumer staples, health care, and utilities led the way, each up around a percent. Energy stocks fell by over a percent, along with oil prices. Real estate also saw gains of nearly a percent, along with stable to lower interest rates.

Foreign stocks saw gains in developed markets, led by Japan, while emerging markets outperformed. In Europe especially, sentiment continued to focus on falling inflation and rising chances for interest rate cuts in 2024, especially as ECB members publicly voiced reluctance to any further hikes. Emerging market gains last week were led by China, as government officials assuaged fears about further crackdowns on online gaming, after early comments had rattled sentiment negatively the prior week.

Bonds saw gains last week as a mid-week U.S. Treasury debt auction saw decent demand, with investment-grade corporates outpacing governments slightly. Foreign bonds were mixed, with strong gains in emerging market local debt. U.S. bonds ended the year with mid-single digit returns, similar to the yield of the index, which was a relief to more conservative investors having gone through the historically painful 2022.

Commodities fell back broadly last week, with declines in energy offsetting gains in industrial metals. As the main driver, crude oil fell nearly -3% last week to $72/barrel. For the year, oil prices remain down -10% (falling as low as -20% from peak) as concerns over future demand (with still-weak growth in China) along with higher supplies than initially expected.

Have a good week and Happy New Year.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.