THE CAPITAL MARKETS

NEW COVENANT TRUST

A Subsidiary of the Presbyterian Foundation

Issue 10 | November 2023

The Dow Jones Industrial Average (DJIA) finished October at 33,052, down -1.36% for the month, down -0.28% so far for the year. The S&P 500 closed October at 4,194, down -2.20% for the month, up +9.23% year to date. The NASDAQ Composite lost -2.78% in October, up +22.78% so far in 2023. Small-company stocks, as measured by the Russell 2000, ended October down -6.88% for the month, down -5.62% so far year to date. Utilities (+0.92%) was the only positive sector in October.

> ***"The pullback in bond yields alleviated a pressure point for stocks. Higher yields make borrowing more expensive for companies and households. Elevated rates also make stocks look less attractive because they represent an essentially risk-free return."***
>
> (The Wall Street Journal, Hannah Miao, Nov. 3, 2023)

Q4 HAS BEEN CHOPPY FOR STOCKS, WITH BOND MARKET DRIVING MOST OF THE ACTION

As a forgettable October came to an end, the S&P 500 rallied in the final week for its best weekly performance since November 2022 — and continued the rally into November, gaining in 9 of 10 trading days through November 10. The rally kicked into gear following the Federal Reserve's November 1 meeting, where comments by Fed Chair Jerome Powell led markets to increase the odds that we are currently at the peak of interest rates for this cycle, and that an easing of interest rates may occur sooner than previously expected. After exceeding 5% for the first time in 16 years in late October, the yield on the 10-year U.S. Treasury Note ended November 3 at 4.55%, a meaningful softening.

LOOKING AHEAD TO 2024

Despite it being a busy period of corporate earnings announcements, the stock market of late has been primarily driven by activity in interest rates and the bond market. Higher interest rates weigh on the economy as companies are forced to pay higher borrowing costs to finance growth, and consumers face higher payments on things like home and automobile purchases.

Higher rates on certain "risk-free" assets, such as Treasury bills or CDs, also make it relatively less attractive to own volatile stocks when worthwhile returns can be reliably earned in safer assets. While an easing of interest rate expectations has been welcome news for stock investors, the Fed has made clear that it will hold rates higher for longer, or will even raise rates further, if inflation does not continue to come down. While the S&P 500's valuation is not nearly as steep as it was at times during the post-pandemic boom in 2021, the market's P/E ratio is still above its 10-year average, meaning U.S. stocks are not undervalued by many observers estimation.

We would encourage investors at this time to remain cognizant of the many risks and uncertainties that remain in markets. For investors with any cash needs in 2024, we recommend considering keeping those near-term needs in a cash reserve. In addition to earning a healthy money market yield, this should help avoid the need to sell securities in what may be a choppy 2024.

> ***"The mood in the market has quickly turned from dour to optimistic in recent sessions. Third-quarter earnings so far have mostly impressed investors and are on track to show the first collective increase in a year. Americans have continued to dine out, take trips and shop online, giving a boost to consumer spending and helping drive profits for the country's biggest corporations."***
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> (The Wall Street Journal, Gunjan Banerji, Nov. 6, 2023)

As is often the case, our advice for investors includes maintaining an appropriate asset allocation based on goals and time horizon, a cash reserve for 12 months, and a broadly diversified and balanced portfolio — and to otherwise maintain a long-term context and focus on what's most important as we head toward a welcome holiday season.

EMPLOYMENT UPDATE

In a classic bad-news-is-good-news example, markets rallied on the news that the U.S. economy added a disappointing 150,000 jobs in October. The unemployment rate rose to 3.9%, a half percent above the low of 3.4% seen in April, and the highest unemployment rate since January of 2022. The hiring pullback was seen by many as an encouraging sign that the tight labor market is cooling, and that the Federal Reserve may be more willing to pause interest rate increases in light of the slowdown in hiring. The 10-year U.S. Treasury yield slumped on the news, and the stock market rallied. The economy and markets continue to walk a tightrope hoping for a slowdown —but not too much of a slowdown — to bring down inflation while avoiding recession. We will continue to closely watch the monthly jobs and inflation reports.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 9/30/2023	CLOSE AS OF 10/31/2023	CHANGE PREVIOUS MONTH END	2023 YTD % CHANGE
Dow Jones Industrial Average	33,507.50	33,052.87	-454.63	-0.28%
S&P 500	4,288.05	4,193.80	-94.25	9.23%
NASDAQ Composite	13,219.32	12,851.24	-368.08	22.78%
RUSSELL 2000	1,785.10	1,662.28	-122.82	-5.62%
Fed Funds Rate	5.25% - 5.50%	5.25% - 5.50%	UNCHANGED	
2-Year Treasury	5.03%	5.07%	+0.04	
10-Year Treasury	4.59%	4.88%	+0.29	
Crude Oil $ per Barrel	90.79	81.02	-9.77	0.95%
Gold $ per Troy oz.	1,866.10	1,994.30	+128.20	9.20%
UK Point in U.S. $	$1.2206US=1£	$1.2135US=1£	$ STRONGER	0.88%
Euro in U.S. $	$1.0588US=1€	$1.057US=1€	$ STRONGER	-0.96%
Canada $ per U.S. $	$1.352C=$1.00US	$1.38825C=$1.00US	$ STRONGER	2.46%
Japan Yen per U.S. $	149.225¥=$1.00US	151.445¥=$1.00US	$ STRONGER	14.78%