



Zhang Financial

Charles Zhang, CFP®, MBA, MSFS, ChFC®, CLU®
 Managing Partner & CEO
 5931 Oakland Drive
 Portage, MI 49024
 269-385-5888
 charles.zhang@zhangfinancial.com
 www.zhangfinancial.com



Market Month: November 2019

The Markets (as of market close November 29, 2019)

Stocks grew for the third straight month as each of the benchmark indexes listed here posted solid returns in November. Despite unrest in Washington as the impeachment process drones on, investors were encouraged by the possibility of favorable movement toward a resolution of the trade war between the United States and China. While inflation remained stymied, consumer spending remained solid and business fixed investment perked up.

By the close of trading on the last day of the month, each of the benchmark indexes listed here posted gains, led by the Nasdaq, which climbed close to 5.0%. The small caps of the Russell 2000 advanced nearly 4.0%. The large caps of the Dow and S&P 500 also posted solid monthly gains of well over 3.0%. Year-to-date, the Nasdaq is more than 30.0% ahead of its 2018 closing value. In fact, of the indexes listed here, only the Global Dow has not gained at least 20.0% for the year.

By the close of trading on November 29, the price of crude oil (WTI) was \$55.17 per barrel, up from the October 31 price of \$54.09 per barrel. However, as OPEC meets at the end of November, it is expected that major oil-producing nations will extend production cuts, which may impact prices moving forward. The national average retail regular gasoline price was \$2.579 per gallon on November 25, down from the October 28 selling price of \$2.596 but \$0.040 more than a year ago. The price of gold fell by the end of November, dropping to \$1,465.60 by close of business on the 29th, down from its \$1,515.10 price at the end of October.

Market/Index	2018 Close	Prior Month	As of November 29	Month Change	YTD Change
DJIA	23327.46	27046.23	28051.41	3.72%	20.25%
NASDAQ	6635.28	8292.36	8665.47	4.50%	30.60%
S&P 500	2506.85	3037.56	3140.98	3.40%	25.30%
Russell 2000	1348.56	1562.45	1624.50	3.97%	20.46%
Global Dow	2736.74	3081.07	3151.08	2.27%	15.14%
Fed. Funds	2.25%-2.50%	1.50%-1.75%	1.50%-1.75%	0 bps	-75 bps
10-year Treasuries	2.68%	1.69%	1.77%	8 bps	-91 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

- Employment:** The unemployment rate inched up 0.1 percentage point to 3.6% in October as the number of unemployed persons reached 5.86 million (5.77 million in September). Total employment increased by 128,000 in October after adding 180,000 (revised) new jobs in September. The average monthly job gain so far in 2019 is 167,000 (223,000 in 2018). Notable employment increases for October occurred in restaurants and bars (48,000), social assistance (20,000), financial activities (16,000), professional and business services (22,000), and health care (15,000). Sectors seeing a drop in employed persons include government (17,000) and manufacturing (36,000). The labor participation rate



Key Dates/Data Releases

12/2: **Markit PMI Manufacturing Index, ISM Manufacturing Index**

12/4: **ISM Non-Manufacturing Index**

12/5: **International trade**

12/6: **Employment situation**

12/11: **Consumer Price Index, FOMC statement, Treasury budget**

12/12: **Producer Price Index**

12/13: **Retail sales, import and export prices**

12/17: **Housing starts, industrial production, JOLTS**

12/19: **Existing home sales**


12/20: **GDP, personal income and outlays**

12/23: **New home sales, durable goods orders**

12/30: **International trade in goods**

rose 0.1 percentage point to 63.3%, and the employment-population ratio remained at 61.0%. The average workweek remained at 34.4 hours for October. Average hourly earnings rose by \$0.06 to \$28.18. Over the last 12 months ended in October, average hourly earnings have risen 3.0%.

- **FOMC/interest rates:** The Federal Open Market Committee did not meet in November. Following October's interest rate decrease, the target range remains at 1.50%-1.75%. The Committee next meets December 10-11.
- **GDP/budget:** According to the second estimate for the third-quarter gross domestic product, the economy accelerated at a rate of 2.1%, up from the second quarter's 2.0% annual growth rate. The first quarter saw an annualized growth of 3.1%. Growth in consumer spending (personal consumption expenditures), which accounts for roughly two-thirds of the GDP, slowed to 2.9% from the second quarter's 4.6%. Consumer prices for goods and services grew by 1.5% in the third quarter compared to an increase of 2.4% in the second quarter. A positive from the report comes from residential investment, which rose 5.1% — the first positive contribution to the GDP since 2017. October, the first month of the new fiscal year for the federal government, saw the budget open with a deficit of \$134.5 billion (\$100.5 billion in October 2018). The government spent roughly \$380 billion in October and had receipts of \$245.5 billion. Most of the government outlays were for Social Security (\$89 billion), national defense (\$71 billion), and Medicare (\$56 billion). Individual income taxes accounted for the majority of receipts (\$126 billion), followed by social insurance and retirement receipts (\$90 billion).
- **Inflation/consumer spending:** According to the Personal Income and Outlays report, inflationary pressures remain weak, as prices for consumer goods and services rose 0.2% in October, the first increase since July. Prices are up 1.3% over the last 12 months. Consumer prices excluding food and energy rose 0.1% in October (0.0% in September) and are up 1.6% year-over-year. Personal income and disposable (after-tax) personal income receded for the first time in several months in October. Personal income showed no gain after advancing 0.3% in September. Disposable personal income dropped 0.1% after climbing 0.3% the prior month. Despite a dip in income, consumers continued to spend. Personal consumption expenditures increased 0.3% in October after expanding 0.2% in September.
- The Consumer Price Index climbed 0.4% in October following no change in September. Over the 12 months ended in October, the CPI rose 1.8%. Energy prices increased 2.7% on the month with gasoline up 3.7%. Prices less food and energy rose 0.2% in October after increasing 0.1% the previous month. Since last October, core prices (less food and energy) are up 2.3%.
- Prices producers receive for goods and services rose 0.4% in October, after falling 0.3% in September. The index increased 1.1% for the 12 months ended in October, the smallest rise since a 1.1% increase in the 12 months ended October 2016. Prices for goods jumped 0.7% in October while prices for services advanced 0.3%. Pushing goods prices higher in October was a 2.8% spike in energy prices. The index less foods, energy, and trade services inched up 0.1% in October after no change in September.
- **Housing:** The housing sector has been anything but consistent this year. After plunging 2.2% in September, sales of existing homes rebounded in October, jumping 1.9%. Year-over-year, existing home sales are up 4.6%. Existing home prices continued to drop in October, as the median price for existing homes was \$270,900, down from September's median price of \$272,100. Nevertheless, existing home prices were up 6.2% from October 2018. Total housing inventory at the end of October sat at 1.77 million units (representing a 3.9-month supply), down approximately 2.7% from September and 4.3% from one year ago (1.85 million). New single-family home sales also fell in October, dropping 0.7% from their September estimate, although sales are more than 31% ahead of last year's pace. Unlike prices for existing homes for sale, new home prices rose in October. The median sales price was \$316,700 (\$310,200 in September) and the average sales price was \$383,300 (\$366,900 in September). Available inventory, at 5.3-month supply, remained about the same in October as it was in September.
- **Manufacturing:** Manufacturing and industrial production continued to lag in October. According to the Federal Reserve, industrial production fell 0.8% in October after falling 0.3% (revised) in September. Manufacturing output declined 0.6% following a 0.5% drop the prior month. Much of the decline in manufacturing in October was due to a drop of 7.1% in the output of motor vehicles and parts that resulted from a strike at a major manufacturer of motor vehicles. In October, mining output fell 0.7% (-1.3% in September), while utilities decreased 2.6% after climbing 1.4% in September. Total industrial production was 1.1% lower in October than it was a year earlier. Following a September decrease, new orders for durable goods rose 0.6% in October. Excluding transportation, new orders increased 0.6%. Excluding defense, new orders expanded by 0.1%. Helping drive the increase in durable goods orders were expansions in nondefense aircraft and parts (10.7%), defense aircraft and parts (18.1%), fabricated metal products (1.8%), machinery (1.3%), and computers and related products (2.4%). New orders for capital goods (used by businesses to produce consumer goods) grew 5.4% in October after falling 2.8% in September.

- 
- Imports and exports:** Both import and export prices remained soft in October. Import prices fell 0.5%, driven by lower petroleum prices. Import prices excluding petroleum dropped 0.1%. Over the last 12 months ended in October, import prices are down 3.0% — the largest over-the-year decline since the index fell 3.7% during the period ended July 2016. Export prices fell 0.1% in October following a 0.2% decline in September. Overall, export prices dipped 2.2% over the past year, the largest 12-month decrease since a 2.4% decline in August 2016. Agricultural export prices rose 1.9% in October, while nonagricultural prices for items such as consumer goods, automobiles, and industrial supplies and materials receded 0.3%. The latest information on international trade in goods and services, out November 5, is for September and shows that the goods and services deficit was \$52.5 billion, \$0.9 billion less than August's \$55.0 billion deficit. September exports were \$206.0 billion, \$1.8 billion less than August exports. September imports were \$258.4 billion, \$4.4 billion under August imports. Year-to-date, the goods and services deficit increased \$24.8 billion, or 5.4%, from the same period in 2018. Exports decreased \$7.0 billion, or 0.4%. Imports increased \$17.8 billion, or 0.8%. The advance report on international trade in goods (excluding services) revealed the trade deficit fell to \$66.5 billion in October, down from \$70.5 billion in September. However, both export and import trading slowed in October. Exports of goods were \$135.3 billion, \$0.9 billion less than September exports. Imports of goods were \$201.8 billion, \$5.0 billion less than September imports.
 - International markets:** The third-quarter gross domestic product for Germany inched up 0.1% following a 0.1% drop in the second quarter. While consumer spending advanced 0.4%, the main source of growth in the third quarter was net foreign trade where exports increased 1.0%, far exceeding imports, which grew a scant 0.1%. Global price inflation continues to lag. Consumer prices in Japan showed no growth in October and are up only 0.2% over the last 12 months. Great Britain saw consumer prices fall 0.9% in October. On the other hand, China's consumer prices rose 0.9% in October and are up 3.8% for the year.
 - Consumer confidence:** Consumer confidence fell in November following a slight decrease the prior month. The Conference Board Consumer Confidence Index® registered 125.5 in November, down from 126.1 in October. The Present Situation Index — based on consumers' assessment of current business and labor market conditions — decreased from 173.5 to 166.9. The Expectations Index — based on consumers' short-term outlook for income, business and labor market conditions — increased from 94.5 in October to 97.9.

Eye on the Month Ahead

December is typically a slow month for trading. Last December saw stocks plummet, but economic signs in the United States are fairly encouraging. The Federal Reserve reduced interest rates three times so far in 2019, but it is less likely to drop rates again this month. Employment is expected to remain strong, while inflation, fixed business investment, and manufacturing may continue to show weakness.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.



This information has been designed for general informational and educational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any security. Such offers can only be made where lawful under applicable law. These materials have been obtained and derived based on information from public and private sources that Zhang Financial LLC believes to be reliable. However, no representation, warranty or undertaking, stated or implied, is given as to the accuracy or completeness of the information contained herein, and Zhang Financial LLC expressly disclaims any liability for the accuracy and completeness of this information. Zhang Financial LLC does not intend to provide investment advice through these materials and does not represent that any market position, economic forecast, securities or services are suitable for any investor. Investors are advised not to rely on these materials in the process of making a fully informed investment decision and they do not render business, tax or legal advice. Each client or prospective client should consult his/her own attorney, business advisor and tax advisor as to legal, business, tax and related matters concerning the information contained herein. The information, opinions and views contained herein have not been tailored to the investment objectives of any one individual, are current only as of the date noted and may be subject to change at any time without prior notice. Past performance does not guarantee future results. All investing involves risk of loss including the possible loss of principal.