November 2019 Review

MEEDER INVESTMENT MANAGEMENT

Monthly Market Commentary

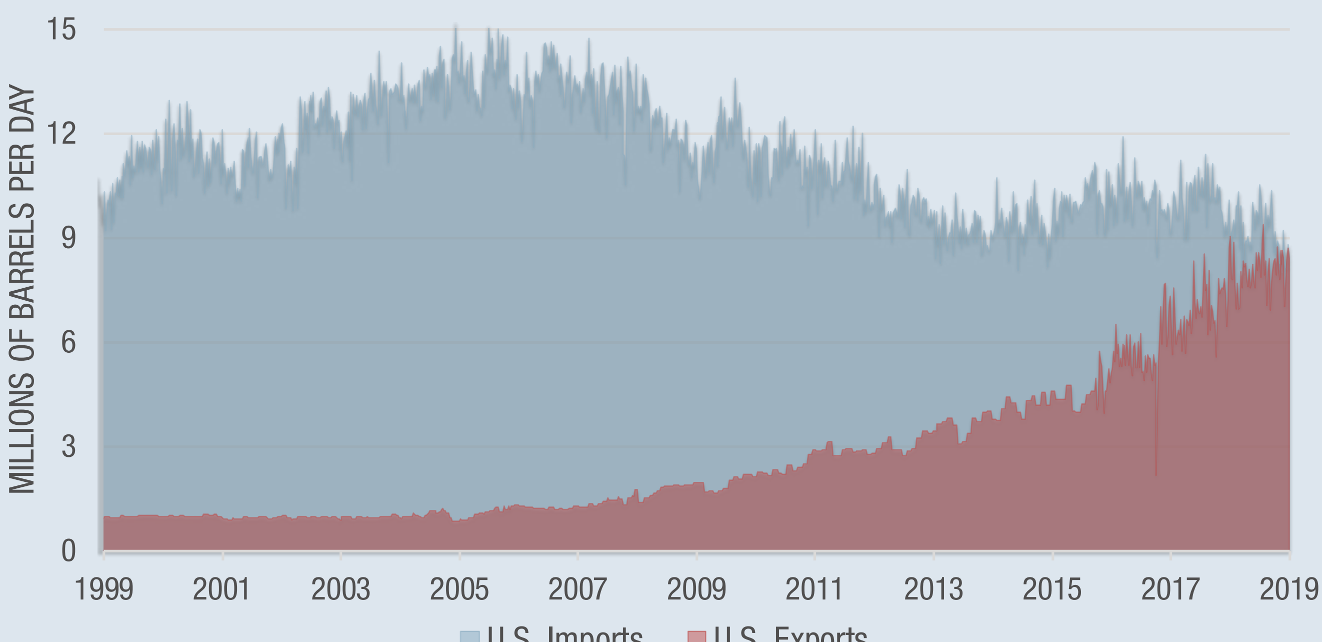
DISCUSSION POINTS

- » S&P 500 Record High
- » U.S. Net Exporter of Oil
- » Leading Indicators Fall for 3rd Consecutive Month

The S&P 500 Index continued its positive upward trend, rising 3.6% during November for a year-to-date total return of +27.6%. This momentum has propelled the S&P 500 Index to reaching 26 new all-time highs thus far in 2019. Near the end of November, the Russell 2000 Index also reached a 52-week high, as the performance of small-cap stocks began outpacing mid- and large-caps. The trend of growth stocks outpacing value stocks remained in place.

Last week, the Energy Information Administration released data showing that the U.S. is one step closer to becoming energy independent. The U.S. has a long history of being dependent on foreign energy producers. In recent years, the U.S. has increased its energy production and, for the first time ever, is a net exporter of crude oil and petroleum products for a full month. For perspective, in August 2006, the U.S. was a net importer of more than 13.4 million barrels per day.

SOURCING OF CRUDE OIL AND PETROLEUM PRODUCTS
4-Week Average



Source: eia.gov

The on-again, off-again progress toward a trade agreement with China, along with mixed economic data, continues to create uncertainty in markets. President Trump publicly acknowledged that he was in no rush to complete a deal, stating "In some ways I like the idea of waiting until after the election for the China deal." These comments were met with a volatility spike in equity markets.

The economy remains relatively strong and GDP for the third quarter of 2019 was revised from 1.9% to 2.1%. In addition, volatility subsided after a very strong jobs report showed the U.S. created 266,000 jobs compared to the consensus estimates of 187,000 for November. Heath care, Social Work, and Manufacturers provided the biggest employment gains. On the other hand, the Leading Economic Index fell 0.1% in October, making it the third consecutive monthly decline. This index uses 10 leading indicators to identify peaks and troughs in the business cycle. While the economy continues to expand, the rate of growth is much slower than it has previously been during this business cycle. Signs of weakness are starting to show in certain parts of the economy. For example, the ISM Manufacturing PMI Index reported levels of 48.1 for November compared to expectations of 49.4. Any reading below 50 traditionally indicates a contraction in economic activity. This was the fourth consecutive month below 50.

The Fed is scheduled to meet in December, but market expectations are that the committee will maintain the overnight lending range, currently 1.50-1.75%. After the October meeting, Fed Chairman Jerome Powell stated the board is "strongly committed" to maintaining a 2% inflation level for growth. Until the economy persistently outpaces this level, it is unlikely investors will see any rate hikes from the FOMC. One key measure that is essential to achieving higher inflation is strong consumer spending. It represents over 70% of the U.S. economy and continues to be healthy. Consumer confidence also remains high, which was certainly evident during the start of the holiday shopping season. The National Retail Federation estimated there were nearly 190 million shoppers in the U.S. between Black Friday and Cyber Monday, an increase of 14% over last year's 165.8 million. Data from Adobe Analytics showed that Black Friday online shopping reached a record $7.4 billion. Time will tell if this strength can continue through the remainder of the holiday season.