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Highland ReCAP

A Review of Capital Markets

November 2023

Summary

Investors had plenty of reasons to feel thankful in November. Coming off consecutive losing months, stocks roared back, with global equity returns finishing north of 8%. Bonds followed closely behind, with the Bloomberg Aggregate Index posting its largest monthly return since 1985, buoyed by a stunning rally in interest rates during the second half of November. The Federal Reserve held the Fed Funds rate at 5.25%, as U.S. economic indicators continued to trend in desirable directions, keeping the highly-prized soft landing scenario in play.

Equities

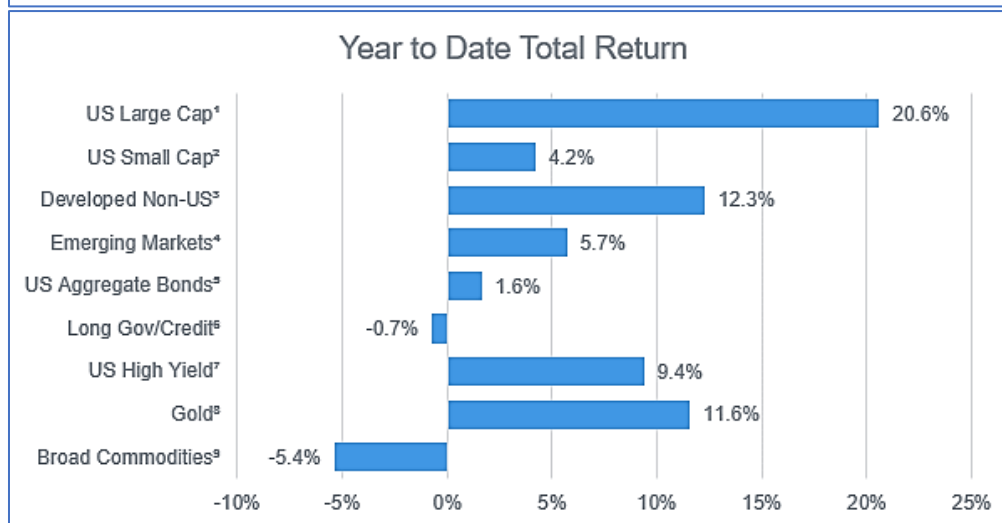
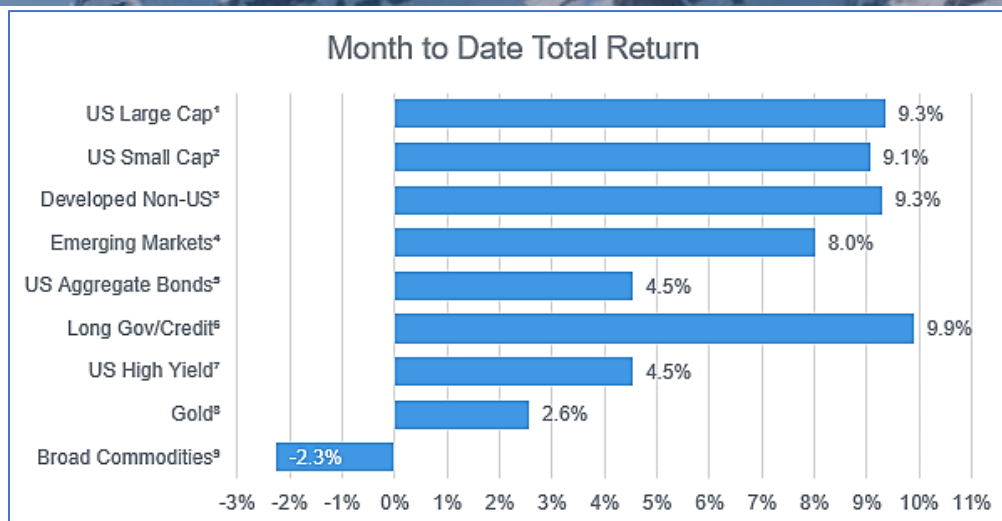
Stocks saw significant gains in November as investors cheered the prospect of a potential end to the Fed's rate hiking cycle. Though messaging from various members of the Fed Board of Governors was mixed around future policy, markets were hopeful that the next move in rates would be a notch lower, as inflation has eased, consumer spending has slowed, and GDP projections for the final quarter of 2023 has softened. Black Friday sales data showed the consumer still had some dry powder, coming in 7% higher than the previous year. Positive sentiment spilled over outside US borders, as developed and emerging market equities kept pace with their domestic peers.

Fixed Income

Interest rates took a wild ride in November, even by recent standards. After trading water for the first two weeks, the 10-year treasury yield sunk 45 basis points from November 13th to the 29th, indicative of the big moves realized across the US bond landscape during the month. Core bonds returned 4.5% in November, a monthly number not seen for nearly 40 years, while long duration bonds nearly erased a year of double-digit negative performance with a return just below 10%.

Market Trends

As of November 30, 2023



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	9.3%	1.7%	20.6%	13.6%	8.7%	12.2%	11.6%
US Small Cap ²	9.1%	-4.4%	4.2%	-2.6%	1.1%	4.8%	6.1%
Developed Non-US ³	9.3%	1.3%	12.3%	12.4%	3.8%	6.0%	3.9%
Emerging Markets ⁴	8.0%	1.1%	5.7%	4.2%	-4.0%	2.3%	2.1%
US Aggregate Bonds ⁵	4.5%	0.3%	1.6%	1.2%	-4.5%	0.7%	1.4%
Long Gov/Credit ⁶	9.9%	-1.6%	-0.7%	-2.1%	-11.0%	0.3%	2.4%
US High Yield ⁷	4.5%	2.1%	9.4%	8.7%	1.4%	4.1%	4.3%
Gold ⁸	2.6%	5.0%	11.6%	16.2%	4.1%	9.6%	4.2%
Broad Commodities ⁹	-2.3%	-2.7%	-5.4%	-7.7%	13.6%	6.3%	-0.7%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

Bloomberg

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