



US Stocks - second best month of November since 1980 : S&P500 up +8.9%

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In November, the US stock market experienced its best month in nearly a year and a half, with the S&P 500 Index advancing 8.9%, marking its second-best November since 1980.

According to an article from Bloomberg, despite concerns about a recession, geopolitical issues, and rising borrowing costs, the market surged approximately

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19% in 2023, breaking a three-month losing streak. The rally, driven by a decline in bond yields, was particularly strong in technology stocks, with the Nasdaq 100 Index gaining about 11%, its best month since the previous year.

Investors are optimistic that the Federal Reserve will halt rate hikes and potentially start cutting rates by mid-2024. The expectation is that this shift in monetary policy could lead to double-digit returns for stocks, historically seen at the end of the central bank's tightening cycles. November typically kicks off a favorable six-month period for the S&P 500, with increased stock buying by companies and pension plans.

However, investors should be mindful of concentration risk, as mega-cap tech shares have been driving the majority of the rally. Additionally, concerns about inflation figures on December 12 and the Fed's rate decision the following day, along with the historical tendency for tech stocks to slump at year-end, pose potential challenges. Options traders currently indicate low expected volatility for the Nasdaq 100.

As December begins, investors are keenly watching for signals from Fed Chair Jerome Powell, scheduled for two appearances on Friday, to gain insights into the future policy path. The Fed is expected to maintain rates on December 13, accompanied by projections for the upcoming year. There is caution that any indication of a potential rate cut might trigger another asset price rally, leading to concerns about inflation and potential volatility in the coming weeks.

Source: Bloomberg

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