

# Weekly Market Commentary

## December 04, 2023

### The Markets

We're cycling along.

It's easy to forget that economic activity tends to move in cycles. A full cycle, known as the business cycle, typically includes four stages:

- **Contraction** occurs when economic growth slows as an economy produces fewer goods and services. Economic contractions often include recessions. As productivity contracts, it can negatively affect the profitability of companies, as well as the number of jobs available and the income security of workers. The United States economy contracted during the first two quarters of 2022.
- **Trough** is the stage at which economic growth hits bottom for the cycle. It occurs before an expansion begins. The month following a trough is the first month of an expansion.
- **Expansion** occurs when an economy produces more goods and services. The United States economy has been expanding since mid-year 2022. Productivity, as measured by gross domestic product, grew 5.2 percent year-over-year in the third quarter of this year.
- **Peak** is the stage at which economic growth reaches its highest point for the cycle, just before a contraction begins. The month following a peak is the first month of a contraction.

"It might be tempting to think the stages of the business cycle are like the cycles on your dishwasher – regular cycles that occur in predictable patterns: The rinse cycle always begins after the wash cycle has completed, and each rinse always lasts the same length of time...But there is nothing 'regular' about the business cycle," wrote Scott A. Wolla in the St. Louis Federal Reserve's Page One Economics® blog.

At the start of the fourth quarter, the United States was in the late cycle stage of expansion, according to Fidelity Insights. That doesn't necessarily mean we're heading into a contraction, though. Expansions usually end when the economy experiences a shock of some kind, reported Wolla.

"Economists suggest that shocks that cause recessions might include financial market disruptions, international disturbances, technology shocks, energy price shocks, and actions taken by monetary policymakers to restrain inflation."

Major U.S. stock indices finished last week higher, reported *Barron's*, and U.S. Treasury yields moved lower as investors embraced the idea that rate cuts may be ahead in 2024.

Data as of 12/1/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	0.8%	19.7%	12.7%	7.9%	10.5%	9.9%
Dow Jones Global ex-U.S. Index	0.6	7.6	4.7	-1.3	2.3	1.3
10-year Treasury Note (yield only)	4.2	N/A	3.5	0.9	3.0	2.8

Gold (per ounce)	2.2	12.9	13.4	4.2	10.7	5.2
Bloomberg Commodity Index	0.1	-10.1	-12.6	10.8	4.1	-2.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**THE WORD OF THE YEAR IS HERE!** Last week, the Merriam Webster Dictionary unveiled its 2023 Word of the Year, as well as other words that gained attention as the dictionary's 2023 data was analyzed. Some of the words that stood out were:

- **Rizz** was the most frequently looked up word after it was added to the dictionary in September. It's slang that describes someone's ability to flirt with, or charm, a person they are romantically interested in. Rizz can be a noun or a verb, and it might be derived from "charisma."
- **Deepfake** also gained interest from the public in 2023. A deepfake is "an image or recording that has been convincingly altered and manipulated to misrepresent someone as doing or saying something that was not actually done or said," explained Merriam Webster.
- **EGOT** came to the fore after Viola Davis won a Grammy for the audiobook of her memoir. EGOT describes a person who has won an Emmy, a Grammy, an Oscar and a Tony. The word has been in the dictionary as a noun since 2019, although it may also become a verb after Davis exclaimed, "I just EGOT!"
- **Doppelgänger**, which means two people who look extremely similar, gained notoriety for several reasons in 2023. In one case, two minor league baseball players, who share the same name, also resemble each other. The pair are mistaken for one another so often, they took a DNA test to find out whether they're related. They're not. They're just doppelgängers.

While all of these words gained attention in 2023, the editors at *Merriam Webster* chose **authentic** as the word of the year. "A high-volume lookup most years, authentic saw a substantial increase in 2023, driven by stories and conversations about AI, celebrity culture, identity, and social media. Authentic has a number of meanings including 'not false or imitation,' a synonym of real and actual; and also 'true to one's own personality, spirit, or character.' Although clearly a desirable quality, authentic is hard to define and subject to debate – two reasons it sends many people to the dictionary."

### Weekly Focus – Think About It

"I would define, in brief, the poetry of words as The Rhythmical Creation of Beauty."

—Edgar Allan Poe, author

Best regards,

Heritage Capital Advisors, LLC

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- \* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- \* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- \* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- \* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- \* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- \* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- \* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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