FURSTENAU FINANCIAL
FAITH, PATIENCE, DISCIPLINE

Furstenau Wealth Update
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The Markets

It was another turbulent week.

Investors cheered the end of the shutdown, pondered strong third-quarter earnings, and questioned the artificial intelligence (AI) spending spree. Some reduced their exposure to risky assets, while others bought the dip. Here are a few of the factors that influenced markets last week.

Doubts about rates. The shutdown ended, but the White House said the official inflation and employment reports for October may never be released. That makes it tough for the Federal Reserve (Fed) to lower rates. "The central bank taps federal data releases – among others – as officials mull the appropriate timings to raise and lower interest rates," reported AFP News via Barron's.

The probability that the Fed will lower rates in December fell to 50 percent last week from 72 percent the week before, reported Phil Serafino, Joel Leon, and Jess Menton of Bloomberg.

A loss of momentum. Momentum investing is buying stocks that are rising rapidly. For example, artificial intelligence (AI) stocks have been big winners, pushing markets to record highs. However, the lower likelihood of a rate cut had investors reassessing their value.

"The promise of lower interest rates had been a reason why many investors were willing to disregard the high valuation readings on the momentum stocks," said a source cited by Bloomberg.

Unhappy consumers. In November, consumer confidence hit a near-record low – a reading of 50.3 on the University of Michigan's Consumer Sentiment Index. The Index's highest reading was 111.3 in February 2000 and its lowest was 50 in June 2022. Normal for the Index is 100, reflecting the first quarter of 1966.

Some worry that declining sentiment could hurt holiday sales. However, the chief economist of the National Retail Federation told Sabrina Escobar of Barron's, "While sentiment does matter, over the past few years, we've seen consumers spend irrespective of how they're feeling about things…I personally like to think about the consumer as being sentimentally weak but fundamentally sound."

The Nasdaq Composite Index finished the week lower, while the Standard & Poor's 500 Index and Dow Jones Industrial Average eked out gains. Yields on most maturities of U.S. Treasuries moved higher over the week.

	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	0.1%	14.5%	13.2%	19.4%	13.2%	12.6%
Dow Jones Global ex-U.S. Index	1.2	25.1	23.7	13.7	5.9	5.5
10-year Treasury Note (yield only)	4.2	N/A	4.4	3.9	0.9	2.3
Gold (per ounce)	1.9	55.9	58.6	32.0	16.6	14.1
Bloomberg Commodity Index	1.7	10.5	13.7	-2.2	8.1	2.8

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 UNITED STATES DOESN'T MAKE CENTS ANYMORE. Last week, the U.S. Mint stamped its last set of pennies. It was a common-sense change that some say is long overdue. The cost to produce pennies has increased sharply, rising from 1.42 cents to 3.69 cents per penny. Ending production has the potential to save taxpayers $56 million dollars a year.

The change doesn't mean the penny will disappear. There are more than 300 billion in circulation – although they aren't spent often. In fact, a dearth of pennies has created problems for retail stores. "In early November, six national retailers reported that more than 1,000 of their locations were without pennies," reported Austen Jensen on the Retail Industry Leaders Association (RILA) blog.

In a RILA survey of 25 retail chains, "Two-thirds of respondents said they are rounding transactions to the benefit of consumers when pennies are unavailable — a practice that, while fair to shoppers, is costing businesses millions of dollars as small amounts add up across thousands of daily cash transactions," reported Jensen.

Cash is #3 in the hierarchy of spending

There are some good reasons to pay for goods with cash. For example, spending physical money can make it easier to control spending and stick to a budget. Cash also offers greater privacy. However, many consumers prefer the convenience of credit and debit cards, according to The Federal Reserve's Diary of Consumer Payment Choice study.

"Households earning less than $25,000 per year and adults 55 and older relied more on cash than other cohorts. In contrast, adults aged 18 to 24 were more likely to pay with a mobile phone, using their phones for 45 [percent] of all payments."

Weekly Focus – Think About It
"Jacob thought about going home. He still had some American change, which he kept in an empty matchbox in his sock drawer, and one night, after he had finished his pancakes and jam, he took the coins out, spread them on the kitchen table, and admired the burnt sienna patina of one of the pennies, which in the candlelight was iridescent with violet and green where people's touch had salted it."

– Caleb Crain, author of Necessary Errors

Best regards,

Ryan D. Furstenau

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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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* 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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