

# MONTHLY ECONOMIC UPDATE

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## November Summary

Beginning with the aftermath of Hurricane Sandy and ending with a U.S. government fiscal stalemate, November was an eventful month. The election changed very little in terms of government leadership, key players, or political dynamics. Democrats retained the White House and gained seats in both chambers of Congress. U.S. Government remains divided, however, with Democrats retaining the Senate and a solid Republican majority still in the House. Furthermore, Boehner, Reid, Pelosi, and McConnell have retained their respective leadership positions in the 113th Congress.

Post-election, nearly all attention turned to the so-called fiscal cliff. The scheduled set of year-end tax increases and spending cuts all but overshadowed a number of other important developments during the month. For example, third quarter U.S. GDP growth was revised up to 2.7%, U.S. consumer confidence hit a new post-crisis high, and Thanksgiving weekend holiday sales were encouraging. Internationally, China's economy showed evidence of bottoming and reacceleration and Greece successfully negotiated its next round of bailout funding and a two year extension of its timeline to meet deficit targets. On a more somber note, continuation of Mid East tension resulted in an eight day period of

dramatic hostility between militants in the Gaza Strip and Israel.

As for the fiscal cliff, by month end it was clear that little progress had been made. Republicans have agreed to higher tax revenue, but not in the magnitude suggested by Obama, and not through an increase in tax rates.

Democrats are firm on higher tax rates for the wealthy and show little appetite

for Republican desired structural changes to entitlement programs (Medicare, Medicaid, and Social Security). The first formal proposal, offered by Obama, was literally laughable to Republicans and well off the mark of anything that could be considered sincere. The GOP has not yet countered with a proposal of their own. Yes, the election changed little.

## November's Economic Releases

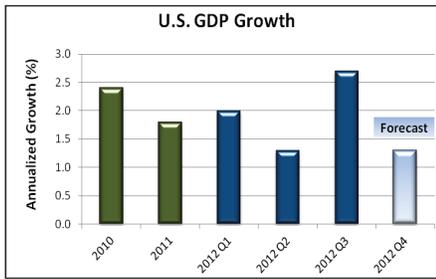
General	Prior	Current
GDP growth	1.3% (Q2)	2.7% (Q3)
Trade balance	-\$43.8 B (Aug)	-\$41.5 B (Sep)
Employment	Prior	Current
Initial jobless claims	416,000	393,000
Continuing claims	3.4 MM	3.3 MM
Change in nonfarm payrolls	148,000 (Sep)	171,000 (Oct)
Unemployment rate	7.8% (Sep)	7.9% (Oct)
Average weekly hours	34.4 (Sep)	34.4 (Oct)
Consumer	Prior	Current
Consumer confidence index (Conf. Board)	73.1 (Oct)	73.7 (Nov)
Retail sales growth (YoY)	3.1% (Sep)	5.3% (Oct)
Change in consumer credit	\$18.4 B (Aug)	\$11.4 B (Sep)
Manufacturing & Service	Prior	Current
ISM manufacturing index	51.5 (Sep)	51.7 (Oct)
ISM non-manufacturing index	55.1 (Sep)	54.2 (Oct)
Durable goods orders growth	9.2% (Sep)	0.0% (Oct)
Industrial production growth	0.2% (Sep)	-0.4% (Oct)
Capacity utilization	78.2% (Sep)	77.8% (Oct)
Real Estate	Prior	Current
New home sales	369,000 (Sep)	368,000 (Oct)
Existing home sales	4.7 MM (Sep)	4.8 MM (Oct)
Case-Shiller home price index (YoY)	2.0% (Aug)	3.0% (Sep)
Inflation	Prior	Current
Consumer price index/Core (YoY growth)	2.0%/2.0% (Sep)	2.2%/2.0% (Oct)
Producer price index/Core (YoY growth)	2.1%/2.3% (Sep)	2.3%/2.1% (Oct)



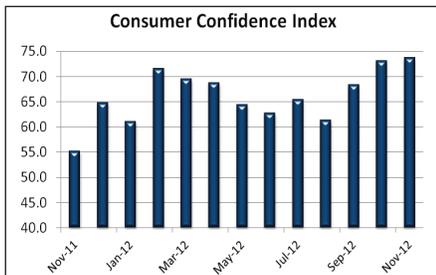
CONWAY WEALTH GROUP

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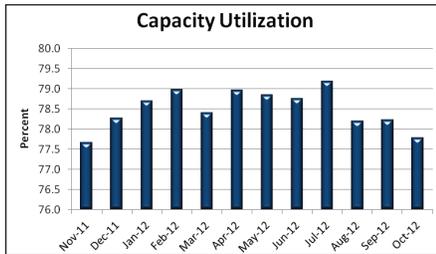
Aligning Life & Wealth™



Data Source: Bureau of Economic Analysis



Data Source: The Conference Board



Data Source: U.S. Federal Reserve



Data Source: U.S. Census Bureau & Nat'l Assoc. of Realtors

## Market Returns

The S&P 500 gained 0.6% for the month and is now up 15.0% for the year.

Developed international equity markets, as defined by the MSCI EAFE index, were up 2.4% in November while the MSCI Emerging Markets index rose 1.3%. Year-to-date, international developed and

emerging markets are up 13.7% and 12.7%, respectively.

In the fixed income market, the Barclays U.S. Aggregate index gained 0.2% for the month and the yield on the 10-year U.S. Treasury bond fell slightly for the month to end at 1.62%. For the year, the Barclays U.S. Aggregate is up 4.4%. High yield credit spreads rose significantly by mid month, but rallied materially by month end to show little net change for the period. Spreads remain modestly below the 15 year average. The Barclays High Yield index gained 0.8% in November and is up 14.0% this year. International bonds lost 0.1% for the month to finish up 4.6% for the year-to-date. Lastly, the Dow Jones UBS Commodity index was flat in November and the Dow Jones U.S. Real Estate index gave back 0.6% for the month.

## Disclaimers

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