Ropes Wealth Sets The Table For The Week Ahead

The American Farm Bureau publishes a report each year on the cost of a 10-person dinner in the U.S. They send out secret shoppers across the country to collect prices on things like turkey, stuffing, green beans, and rolls. This year, things are a bit less expensive, with the average cost $58.08, a 5% decrease from 2023. However, prices are still 19% higher than in 2019. It should not surprise you then that U.S. hunger relief organization, Feeding America, estimates that more than 50 million people will turn to the charitable food system in 2024 in a repeat of 2023's record need.

There is no doubt inflation will be a topic at Thanksgiving tables this year, as well as tariffs, taxes, and the Trump agenda. For now, the stock market is mostly sanguine, with share prices rising for the week though not all the way back to the all-time highs achieved in the immediate aftermath of the election. Concerns about market breadth continue though, as we continue to see the market driven by a narrow group of stocks with only intermittent gains in the less loved cyclical and small cap segments.

Supporting market optimism this week were the results reported by AI chipmaker darling Nvidia who once again blew the barn doors off with their earnings report. Bitcoin approached $100,000, following news that U.S. Securities and Exchange Commission Chair Gary Gensler has resigned. Gensler once described the crypto market as "the Wild West" and led a crackdown on cryptocurrencies during his tenure at the SEC which will end on January 20. But tempering some of the enthusiasm in stocks was the news that the U.S. Department of Justice wants Google parent Alphabet to sell its Chrome web browser after a court determined the company has an illegal monopoly over search. Target shares notably lost about a fifth of their value following earnings and guidance that disappointed investors. Weakness in discretionary demand at Target sends a message that consumers, at least there, are not loading their shopping carts beyond the essentials, perhaps a warning shot ahead of holiday season.

Staying on the theme of retail, CFOs of some of the leading retailers are speaking out against Donald Trump's tariff proposals in stark terms. *"We never want to raise prices,"* Walmart CFO John David Rainey said when asked about tariffs. *"Our model is everyday low prices. But there probably will be cases where prices will go up for consumers."* Rainey's warnings echo similar statements from other retailer executives. Philip Daniele, the CEO of AutoZone, said if they get tariffs the company *"will pass those tariff costs back to the consumer."* Likewise, Lowe's CFO Brandon Sink told investors that tariffs "certainly would add product costs" because 40% of the company's costs of goods sold comes from outside of the U.S. According to a recent estimate by the Budget Lab at Yale, Trump's proposed tariffs would raise consumer prices by 1.4% to 5.1% before substitution, equivalent to the cost of $1,900 to $7,600 in disposable income for the average household.

Economic data has been a bit in the backseat following the Trump election and the ferocious news cycle around his cabinet picks. The data continues to paint the picture of a solid but modestly softening economy. For example, weekly jobless claims were reported at 213,000, the lowest since April, as workers returned to work after some high-profile strikes in September and October. But continuing claims continued rising and topped 1.9 million for the first time in three years. October existing home sales eked out monthly and year-over-year gains. The headline 3.96 million seasonally adjusted annual rate rose from 3.84 million in September. However, mortgage rates are up sharply over the last month and buyer enthusiasm remains constrained. This was reflected in declining housing starts and building permits also reported this week. October leading indicators from the Conference Board were worse than expected, down -0.4%. However, leading indicators have been in the red the last two years almost without exception even as U.S. growth never wavered. As for consumer confidence, the monthly index that measures how Americans are feeling about economic conditions and their finances ticked up in November to 71.8 from October’s 70.5 reading.

Tonight my kids and I are packing up the fixings for Thanksgiving meals and loading up the trucks for delivery of those meals across Massachusetts. After a busy week of planning conversations and investment reviews, I always look forward to the work involved in this tradition, because providing help and support in this instance is packing up a bag of nourishing food and making one meal less stressful for a family in need. I sincerely wish I could package up an outlook full of certainty for each of you but policy forecasts at this stage are still highly speculative. I can say with confidence that the economy is on stable footing as we enter the new year, which underpins the current bullish fervor in the markets. We have weathered a myriad of challenges including the pandemic-induced distortions in manufacturing and service activity, acute supply chain and labor force disruption due to the pandemic and war in Ukraine, a global inflation surge, and rapid and coordinated central bank policy tightening. In other words, this is an economy that has weathered shocks and uncertainty and change before. However, this is not a time for complacency: setting aside the time to talk about your plan is important at this inflection point. While none of us have all the answers on the impacts of proposed public policy changes at this time, we can at least consider scenarios and most importantly, factor in your situation that is at the heart of the matter. We look forward to sharing those conversations with you in the weeks and months ahead.

Thank you for your interest in our weekly investment commentary. If you would like to speak personally with a member of our team at any time, please click **here**.

Ropes Wealth Advisors
800 Boylston Street Boston, MA 02199-3600