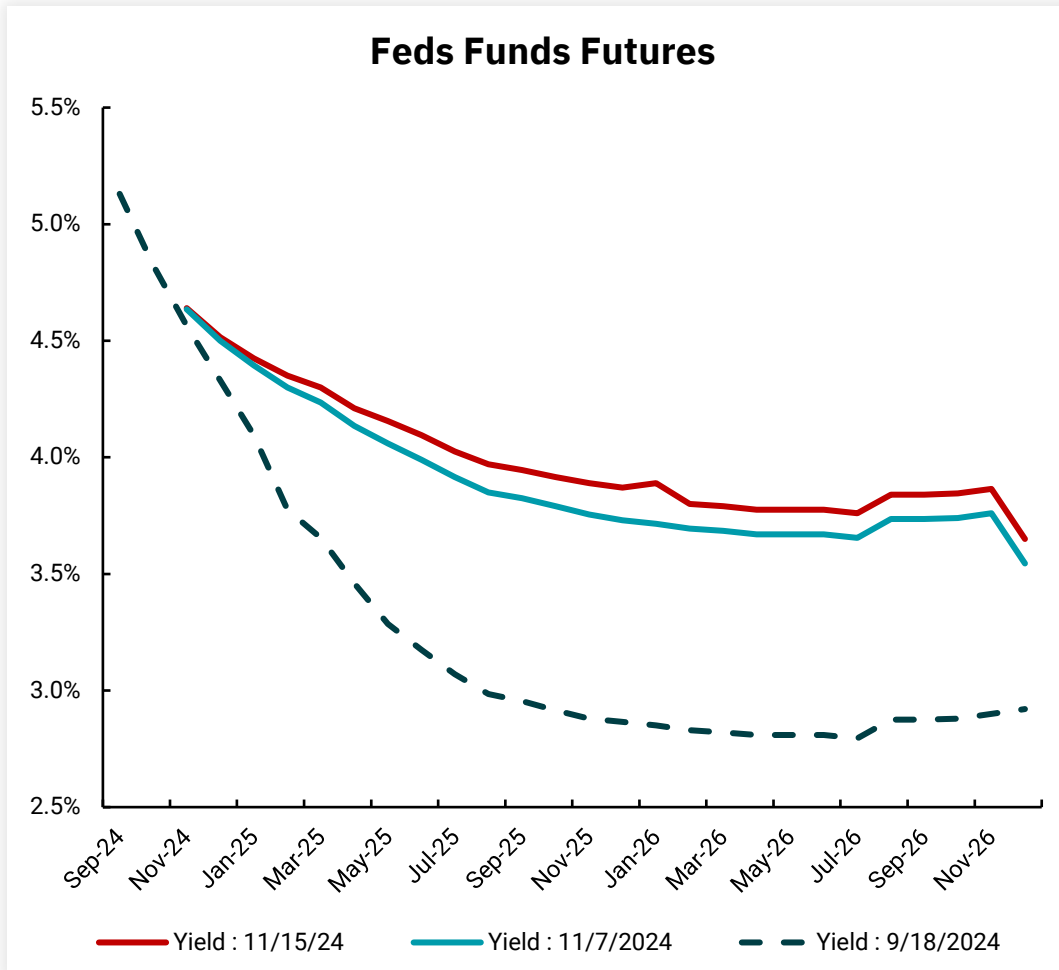


# Weekly market update



## Chart of the week (Nov. 15, 2024)



The completion of the U.S. election process has ushered in significant changes across many markets. Much of this was less about who won and more about removing some level of uncertainty. Still, there are significant areas of difference between the platforms of the Democratic and Republican parties. As we have mentioned before, the overall capital market reaction has been a shift towards an outlook for higher growth as reflected in higher stock prices (across the capitalization structure), higher interest rates, narrower credit spreads and a higher dollar.

On Thursday, Fed Chair Powell spoke in Dallas and provided a more nuanced outlook for Fed policy than he had only a few weeks ago. He spoke of the idea of higher economic growth allowing the Fed to slow down on rate cuts. This week's chart shows the change in Fed Funds futures from when the Fed met in September, where they cut rates by 0.50%, and the last two weeks covering the period after the Presidential election.

The shift upward in the chart between the dashed line to the solid lines shows that the expectation for fewer rate cuts has been fast and material. To be fair, just prior to the election, rate cut expectations had been lessening after a series of stronger than expected economic data and multiple inflation readings indicating the path to the Fed's 2% target might be a bit slower than expected. But post-election the moves have accelerated.

The Fed met immediately after the election and cut rates another 0.25%. They have one more meeting this year, in December, where the chances of another cut of 0.25% have moved from close to 75% to now a 50/50 chance. We will get another employment report and more inflation data before they meet, which will surely play an important role in the decision.

One additional important note: The combination of higher growth expectations and the slowdown in inflation getting to 2% has led to an increase in the anticipated target rate by the market. This so-called "terminal rate" was expected to be about 3% but has now moved up to 3.5-4%. This change may seem small, but it is a big shift in longer-term rate expectations. This shift also helps explain why longer-term rates have moved higher even as the Fed is lowering short-term rates. For example, rates like the "prime" lending rate at banks are moving lower while home mortgage rates move higher. Higher deficits and the potential inflationary aspects of tariffs are also at play. While higher rates based on an outlook for better growth are not all bad, for longer-term borrowers hoping for the chance to refinance based on the Fed reducing rates, those chances are looking less likely now.

# Weekly market update

## Commentary (Nov. 15, 2024)

### Domestic Equities

- Excitement over the conclusion of the U.S. election cycle gave way to uncertainty about the incoming administration and renewed concerns about inflation this week. U.S. stocks were broadly negative for the week.
- Retail sales data out Friday showed two months of surprisingly strong growth. Additionally, Fed Chair Powell commented that the solid economy would allow the central bank to take its time loosening policy. Expectations for a December rate cut declined significantly, and rate-sensitive small-cap stocks underperformed during the week.
- The nomination of Robert F. Kennedy Jr. as Health and Human Services Secretary weighed on healthcare stocks. In addition to being a vaccine skeptic, Kennedy has been critical of insurance covering expensive weight loss drugs over promoting a healthy lifestyle.

### Bonds

- U.S. Treasury bond yields were higher for the week on strong economic data and hawkish comments from Fed Chair Powell. In particular, the long end of the curve experienced the biggest jump in yields, with 10-year closing at a four-month high on Wednesday.
- Fed rate cut expectations continued to move lower, with the futures market pricing in less than a 60% probability that the Fed cuts in December.
- U.S. money market fund assets exceeded \$7 trillion for the first time this week according to Crane Data.
- In international markets, Mexico's central bank lowered its main policy rate by 0.25% to 10.25% on improving inflation data.

### International Equities

- The strength of the U.S. dollar and investors' anxiety that a new round of protectionist policies could put upward pressure on inflation and hamper global economic growth were key catalysts that sent foreign stocks lower.
- This week, foreign developed markets faced higher volatility as Japan and most European markets tumbled. The new third-quarter GDP data released this week showed that the U.K. grew by just 0.1% compared to the previous quarter, and Japan's economy expanded by 0.3%.
- Emerging markets fell after posting gains the previous week, with most key markets across Asia and Latin America falling. Asian markets, particularly Chinese stocks, absorbed most of the losses as investors worried about the impact that U.S. President-elect Donald Trump's proposed tariffs might have on economic growth, inflation and interest rates.

### Economics

- On Wednesday, the monthly Consumer Price Index (CPI) showed an increase of 0.2% and a year-over-year increase of 2.6%. Both figures were in line with consensus estimates. Core CPI, which excludes food and energy, increased 0.3% for the month and 3.3% year-over-year. Core CPI has remained stickier, with housing costs accounting for much of the increase.
- In addition to the stickier inflation data, Fed Chair Powell commented that "the economy is not sending signals that we need to be in a hurry to lower rates." The CPI and Powell's comments suggest rates may stay higher for longer.
- On Tuesday, we will get new data on housing starts and building permits. As mortgage rates remain elevated, housing data could be important to watch.

## Weekly Market Update

For Week Ending November 15, 2024

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	43,444.99	-1.2%	17.1%	26.6%
S&P 500 Index	5,870.62	-2.0%	24.5%	32.2%
NASDAQ Composite	18,680.12	-3.1%	25.2%	33.4%
S&P 400 Midcap Index	3,207.52	-2.7%	16.8%	28.2%
S&P 600 Smallcap Index	1,462.97	-3.0%	12.6%	26.6%
MSCI EAFE	8,120.18	-2.6%	4.3%	11.9%
MSCI Emerging Markets	577.92	-4.4%	8.3%	13.0%
Bloomberg US Agg	2,190.80	-0.8%	1.3%	7.1%
Bloomberg Municipal 5 Yr	495.99	0.1%	1.5%	4.8%
Bloomberg US Corporate	3,297.31	-1.1%	2.4%	9.5%
Bloomberg Glb Agg ex US Hdg	587.33	0.1%	4.0%	7.8%
Bloomberg High Yield	2,675.43	-0.4%	7.9%	13.6%
MSCI US REIT Index	2,405.99	-1.9%	11.9%	25.7%
Bloomberg Commodity Index	230.90	-2.0%	2.0%	-2.0%

	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Key Rates</b>				
Fed Funds Target	4.75%	4.75%	5.50%	5.50%
3-Month Treasury	4.49%	4.52%	5.33%	5.41%
1-Year Treasury	4.32%	4.29%	4.76%	5.27%
2-Year Treasury	4.30%	4.25%	4.25%	4.91%
5-Year Treasury	4.31%	4.19%	3.85%	4.52%
7-Year Treasury	4.38%	4.25%	3.88%	4.55%
10-Year Treasury	4.44%	4.30%	3.88%	4.53%
30-Year Treasury	4.62%	4.47%	4.03%	4.70%

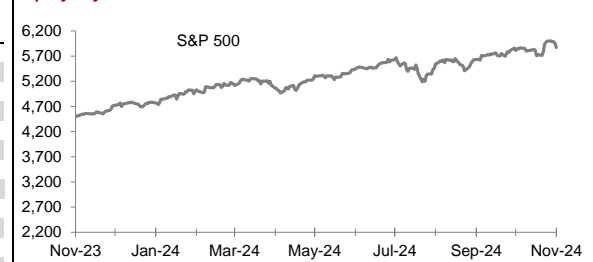
	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Consumer Rates</b>				
30-Year Mortgage	7.33%	7.23%	6.99%	5.83%
Prime Rate	8.50%	8.50%	9.25%	9.25%
SOFR	4.57%	4.60%	5.38%	5.32%

	Last Price	Prior Week	Year End	Year Ago
<b>Commodities</b>				
Gold	2,563.25	2,684.77	2,062.98	1,959.85
Crude Oil (WTI)	67.02	70.38	71.65	74.06
Gasoline	3.08	3.09	3.12	3.34
Natural Gas	2.82	2.67	2.33	4.24
Copper	4.11	4.35	3.89	3.87

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	23.16	23.02	5.69	1.61
S&P 500	24.25	25.24	5.34	1.32
S&P 500 Value	18.64	18.75	2.93	2.26
S&P 500 Growth	32.07	34.46	11.96	0.62
NASDAQ	34.48	34.87	7.34	152.60
S&P Midcap 400	18.30	17.74	2.61	1.68
S&P Smallcap 600	18.39	18.65	1.99	2.26
MSCI EAFE	14.67	14.00	1.77	3.24
MSCI Emerging Markets	13.29	13.50	0.29	2.85

Source: Bloomberg

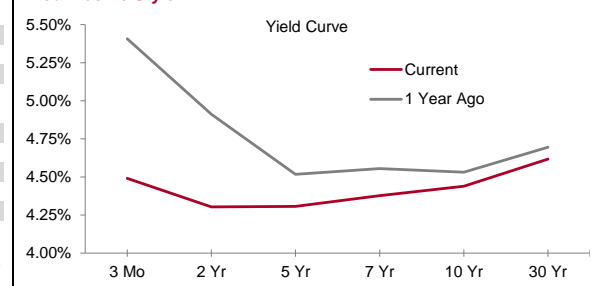
### Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	0.19	1.05	1.70	16.73	24.55	31.60
Mid	2.56	1.49	0.47	14.45	16.82	18.98
Small	3.91	2.95	1.96	10.35	12.64	14.78

\*S&P Indices

### Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	-0.28	-1.13	-4.44	3.42	2.11	-4.77
Corp	-0.18	-1.12	-3.67	4.66	3.93	-0.68
HY	0.42	0.16	-0.44	8.74	7.91	6.38

1-3 Yrs 1-10 Yrs +10 Yrs

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	2.6%	3.2%
CPI Core Inflation	3.3%	4.0%
Personal Consumption Exp (PCE) Core	2.7%	3.7%
<b>Jobs</b>		
Unemployment Rate (U3)	4.1%	3.8%
Broader Unemployment Rate (U6)	7.7%	7.2%
JOLT Survey (in millions)	7.44	9.31
Jobless Claims (000's)	217	228
Change in Non-Farm Payroll (000's)	12	165
Average Hourly Earnings (Y/Y % Change)	4.0%	4.3%
<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	108.7	99.1
Consumer Spending (\$ Bil)	20,024	19,025
Consumer Credit (\$ Bil)	5,103	4,991
Retail Sales (\$ Bil)	719	699
<b>Housing</b>		
Housing Starts (000's)	1,354	1,363
Case-Shiller Home Price Index	325.03	311.78
<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	23,386	22,781
Quarter over Quarter Change	2.8%	4.4%
Year Over Year Change	2.7%	3.2%
ISM Manufacturing	46.50	46.90
Capacity Utilization	77.13	78.27
Markit US Composite PMI	54.10	50.70
<b>U.S. General</b>		
Leading Economic Indicators	99.7	104.7
Trade Weighted Dollar Index	125.8	122.4
EUR / USD	1.05	1.08
JPY / USD	154.30	151.36
CAD / USD	0.71	0.73
AUD / USD	0.65	0.65

### S&P 500 Sector Returns

	1 Month	YTD
Financials	6.41%	34.26%
Communication Services	2.78%	33.23%
Information Technology	0.22%	32.60%
Utilities	-1.64%	28.25%
Industrials	0.67%	23.37%
Consumer Discretionary	8.78%	22.23%
Energy	4.87%	16.20%
Consumer Staples	-2.59%	15.37%
Real Estate	-2.89%	10.02%
Materials	-5.60%	7.92%
Health Care	-7.21%	5.33%

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