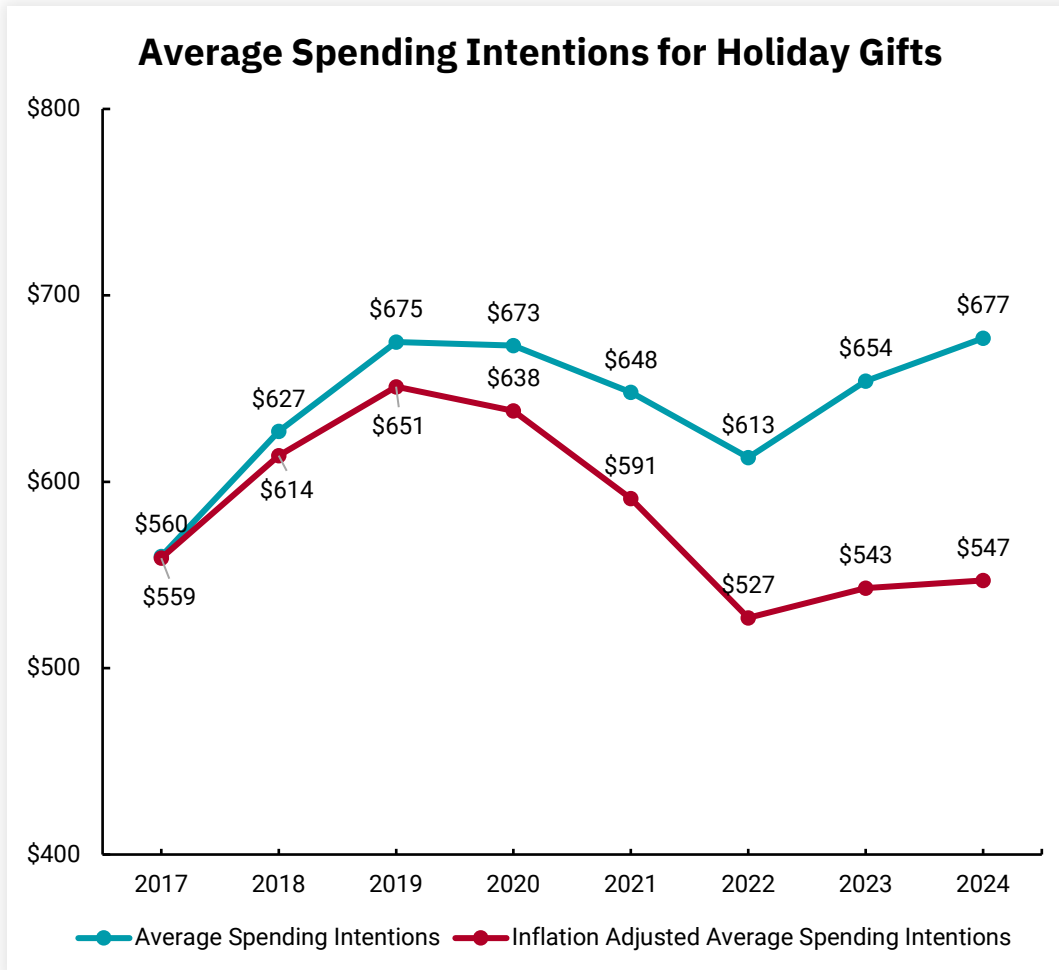


Weekly market update



Chart of the week (Dec. 13, 2024)



For many, it is hard to believe we are in the midst of the holiday season...Okay, maybe it's just me, but the all-important time of year for retailers is upon us. Obviously, the season is about way more than giving gifts. However, holiday spending is a material part of annual retail sales and can make or break many retailer's years.

This week's chart shows average spending intentions, according to a survey by the Conference Board on a nominal and inflation-adjusted basis. The impact of the pandemic on spending is evident, as is the recovery as we worked our way through COVID-19 and supply chains healed, providing more access to goods for consumers. However, another factor is also evident in the chart: the impact of inflation. While nominal spending plans are back to pre-pandemic levels, real inflation-adjusted spending is lagging. Put another way, we are spending more but getting less, and the gap is widening. We can say the rate of inflation is slowing, but this only means that the price of goods and services is just going up more slowly than before.

In sum: this chart provides a stark visualization of the growing impact of aggregate inflation following the pandemic. Fed Chair Powell is not wrong when he states how important it is to get inflation back towards the Fed's 2% target and keep it there. In recent months, wage gains have begun to outpace the rate of inflation. Given enough time and stable prices, this will help close the gap that has opened up. This would be a welcome source of relief for consumers who have seen spending on non-discretionary items—like rent, insurance, transportation, energy and food—increase at an even faster rate than the overall rate of inflation reported by the government.

In our estimation, there are many reasons to be optimistic about the economy and markets as we move into 2025. That said, we know the last few years have not been kind from a cost-of-living standpoint. And so, a period of slowing price gains, which evolves into a more stable inflation environment, is vitally important. Here's hoping the incoming administration can find and implement the right mix of policies that improve growth while limiting inflation.

From our team, here's hoping you and yours have a safe and wonderful holiday season. And here's to 2025 being the best year ever.

Weekly market update

Commentary (Dec. 13, 2024)

Domestic Equities

- After months of the market broadening out, momentum coming into the end of the year is turning heavily back to AI-related big tech. The tech-heavy Nasdaq Composite Index hit a new all-time high mid-week before finishing the week flat. Conversely, value and small-cap stocks have declined.
- The S&P 500 Value Index closed Friday with its tenth consecutive loss, the longest streak in history, falling close to 4% over the past two weeks. The decline has been driven by consumer-goods stocks amid reports of softer spending by lower-income consumers and health insurers in the wake of the deadly shooting of UnitedHealth's CEO Brian Thompson.
- Broadcom shares jumped 20% Friday after a strong earnings report and positive outlook for producing AI chips going forward. The move lifted chipmakers while the rest of the market declined into the end of the week.

Bonds

- The U.S. Treasury bond yields rose sharply with recent economic data leading to a growing sentiment that the Federal Reserve may deliver a more hawkish outlook following its Dec. 18 meeting, where the committee is widely expected to cut by another 0.25%.
- In terms of major central bank announcements, the Bank of Canada, Bank of Switzerland and European Central Bank all cut policy rates this week. However, this didn't stop longer-term bond yields from rising across developed markets.
- China announced plans for additional stimulus measures including looser monetary policy in 2025. This sent Chinese bond yields lower, with the 10-year CGB making a new low at 1.78% to close the week.
- Moody's downgraded France's credit rating to Aa3 over its view that the country's public finances will be substantially weaker over the next few years.

International Equities

- Foreign investors focused on the monetary policy changes from global central banks before focusing on the upcoming rate decisions from the U.S. Federal Reserve and the Bank of England.
- After two weeks of gains, foreign developed markets stumbled as most European markets fell over the week. In policy rate news, the European Central Bank lowered its key interest rate by 0.25%, the fourth rate cut for the year. In addition, the Swiss National Bank also cut rates by a larger-than-anticipated 0.50%, while Denmark's central bank announced a 0.25% reduction.
- Emerging markets had pockets of strength across select markets within Asia and Latin America. Brazil's central bank lifted its key interest rate by one percentage point to tame inflation propelled by public spending and a strong economy. Meanwhile, Mexico's headline inflation rose 4.55% over the last year, lower than economist's expectations.

Economics

- The November Consumer Price Index (CPI) came in at 2.7% year-over-year. This figure aligned with expectations but was slightly higher than October's reading. Investors responded well to this reading, as it was low enough to keep a December rate cut on the table. However, core CPI, which excludes food and energy, rose by 3.3%, suggesting inflation is stickier than anticipated.
- Jobless claims came in at 242,000 for the week. This was higher than expectations of 220,000. Some attributed the rise to volatility around this time of year, but there is a growing concern about labor market weakness, given the uptick in the unemployment rate.
- U.S. retail sales will be reported on Tuesday. This will be an important barometer given the holiday season. The Federal Reserve meets this week and will announce its decision on interest rates on Wednesday afternoon.

Weekly Market Update

For Week Ending December 13, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	43,828.06	-1.8%	18.4%	20.4%
S&P 500 Index	6,051.09	-0.6%	28.5%	30.3%
NASDAQ Composite	19,926.72	0.4%	33.7%	36.2%
S&P 400 Midcap Index	3,277.20	-1.6%	19.5%	23.0%
S&P 600 Smallcap Index	1,488.63	-1.4%	14.8%	19.7%
MSCI EAFE	8,282.82	-1.5%	6.4%	10.8%
MSCI Emerging Markets	590.25	0.3%	10.6%	16.5%
Bloomberg US Agg	2,204.65	-1.4%	2.0%	3.3%
Bloomberg Municipal 5 Yr	497.31	-0.4%	1.7%	2.7%
Bloomberg US Corporate	3,324.19	-1.4%	3.2%	4.7%
Bloomberg Glb Agg ex US Hdq	594.03	-0.2%	5.2%	6.6%
Bloomberg High Yield	2,699.98	-0.2%	8.9%	11.4%
MSCI US REIT Index	2,399.67	-1.6%	11.6%	14.1%
Bloomberg Commodity Index	237.90	1.3%	5.1%	7.8%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.75%	4.75%	5.50%	5.50%
3-Month Treasury	4.32%	4.39%	5.33%	5.36%
1-Year Treasury	4.23%	4.18%	4.76%	4.89%
2-Year Treasury	4.24%	4.10%	4.25%	4.43%
5-Year Treasury	4.25%	4.04%	3.85%	3.97%
7-Year Treasury	4.32%	4.08%	3.88%	4.01%
10-Year Treasury	4.40%	4.15%	3.88%	4.02%
30-Year Treasury	4.60%	4.34%	4.03%	4.18%

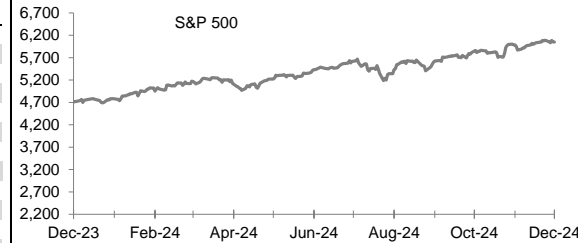
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.13%	6.95%	6.99%	5.83%
Prime Rate	8.50%	8.50%	9.25%	9.25%
SOFR	4.60%	4.60%	5.38%	5.31%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold (spot)	2,648.23	2,633.37	2,062.98	2,027.74
Crude Oil WTI	71.29	67.20	69.47	69.47
Gasoline	3.02	3.02	3.12	3.10
Natural Gas	3.28	3.08	2.33	2.34
Copper	4.15	4.14	3.79	3.79

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	23.37	22.40	5.33	1.59
S&P 500	24.99	25.35	5.26	1.28
S&P 500 Value	18.48	18.48	2.91	2.28
S&P 500 Growth	33.26	34.25	12.06	0.60
NASDAQ	36.17	37.39	7.31	0.66
S&P Midcap 400	18.58	18.35	2.69	1.63
S&P Smallcap 600	18.85	18.47	2.01	2.27
MSCI EAFE	14.97	14.15	1.82	3.15
MSCI Emerging Markets	0.00	13.94	1.75	2.76

Source: Bloomberg

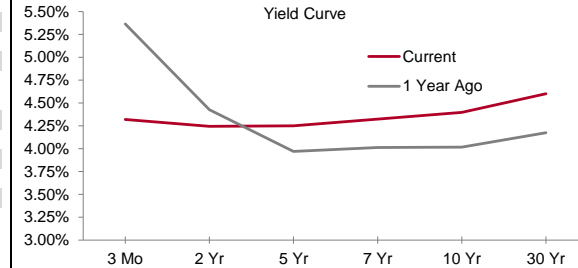
Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
-1.67	1.25	3.40	15.86	28.54	39.70
0.05	0.26	0.46	16.33	19.53	22.50
0.76	-0.29	-1.39	13.25	14.78	16.08

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
0.39	0.50	0.75	3.85	2.64	-4.26
0.46	0.67	0.86	5.18	4.71	0.26
0.60	0.65	1.83	9.47	8.88	8.79

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.7%	3.1%
CPI Core Inflation	3.3%	4.0%
Personal Consumption Exp (PCE) Core	2.8%	3.4%

	Last Release	Year Ago
Jobs		
Unemployment Rate (U3)	4.2%	3.7%
Broader Unemployment Rate (U6)	7.8%	7.0%
JOLT Survey (in millions)	7.74	8.69
Jobless Claims (000's)	242	205
Change in Non-Farm Payroll (000's)	227	182
Average Hourly Earnings (Y/Y % Change)	4.0%	4.3%

	Last Release	Year Ago
Consumer & Spending		
Consumer Confidence (Conf Board)	111.7	101.0
Consumer Spending (\$ Bil)	20,100	19,070
Consumer Credit (\$ Bil)	5,113	5,000
Retail Sales (\$ Bil)	719	699

	Last Release	Year Ago
Housing		
Housing Starts (000's)	1,311	1,365
Case-Shiller Home Price Index	324.80	312.63

	Last Release	Year Ago
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	23,387	22,781
Quarter over Quarter Change	2.8%	4.4%
Year Over Year Change	2.7%	3.2%
ISM Manufacturing	48.40	46.60
Capacity Utilization	77.13	78.27
Markit US Composite PMI	54.90	50.70

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	99.5	103.8
Trade Weighted Dollar Index	126.9	120.8
EUR / USD	1.05	1.09
JPY / USD	153.65	142.89
CAD / USD	0.70	0.74
AUD / USD	0.64	0.67

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	5.70%	44.42%
Information Technology	2.55%	39.37%
Consumer Discretionary	8.48%	36.50%
Financials	-0.58%	33.12%
Utilities	-0.94%	25.56%
Industrials	-3.38%	21.91%
Consumer Staples	2.34%	19.31%
Real Estate	-1.15%	9.60%
Energy	-5.92%	9.24%
Materials	-3.59%	5.54%
Health Care	-3.95%	4.70%

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