MONTHLY MARKET COMMENTARY

NOVEMBER 2024 Executive Summary

Benchmark Returns as of November 30, 2024

	For the Month	Year-to-Date		For the Month	Year-to-Date
S&P 500	5.87%	28.07%	**Developed International**	-0.57%	6.24%
Dow Jones Industrial Average	7.74%	21.21%	**Emerging Markets**	-3.59%	7.65%
Nasdaq	6.29%	28.86%	**Bloomberg Aggregate Bond Index**	1.06%	2.93%
Russell Mid-Cap Index	8.82%	24.09%	**ICE BofAML US Hi Yield**	1.15%	8.67%
Russell 2000 Small-Cap Index	11.71%	26.16%	**3 Month Treasury Bill**	0.35%	4.72%

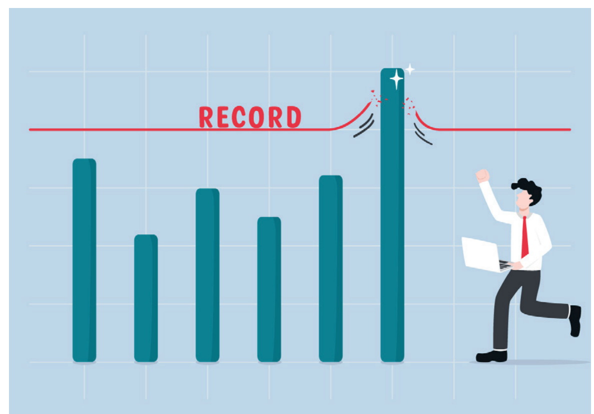
Record-Setting Rally

In early November, investors were braced for a too-close-to-call presidential election, with pundits predicting an unknown outcome for weeks after the final votes were cast on November 5th. When Donald Trump was declared the victor early on November 6th, a relief rally ensued as fears of protracted post-election uncertainty were allayed. Despite a mid-month pullback, the S&P 500 gained on fifteen of the month's twenty trading days and closed at its 53rd all-time high of the year. It was a broad rally, with all eleven large-cap sectors posting gains. Further broadening came from soaring mid-cap and small-cap stocks, up 9% and 11%, respectively, in November, as S&P Dow Jones Indices measured.

Our upcoming quarterly newsletter will focus on the potential implications for the markets of the incoming administration's policies (tariffs, immigration, cabinet appointments, government cutbacks, etc.). For this monthly summary, we will turn our attention to the ongoing drivers of market returns: the economic environment, the interest rate outlook, and earnings.

Apart from an outlier labor report, the major economic reports during November were robust:

- **The November 1st jobs report showed that only 12,000 jobs were created in October. The scant number was attributed to back-to-back hurricanes and a now-resolved strike by 33,000 workers at Boeing Co.**
- **Retail sales were strong in October, advancing 0.4% with an upward revision to the September report from +0.4% to +0.8%. Consumer spending comprises the largest percentage of overall economic activity, so this bodes well for fourth-quarter GDP.**
- **The first revision to the third-quarter GDP was unchanged at a solid +2.8%.**
- **Labor productivity edged up to 2.2% in the third quarter from 2.1% in 2Q24. This evidence of workers' ability to increase output at a higher rate than hours worked is positive for the Fed's view on inflation.**
- **The major inflation reports for October met Street expectations, but the CPI and PCE showed diminished progress in slowing price growth. Any rekindling of inflation in the future would reshape markets' expectations for the pace of interest rate cuts.**



Comments from Fed officials can also recalibrate the expected pace of the Fed's easing cycle. That was the case this month, based on November 14th remarks by Fed Chair Jerome Powell, saying the "economy is not sending any signals that we need to be in a hurry to lower rates." This came after the widely expected 0.25% cut to the fed funds rate announced on November 7th. As of this writing, the CME FedWatch Tool shows a 70.1% probability of another 0.25% cut when the next FOMC meeting concludes on December 18th. The December meeting also features an updated Summary of Economic Projections, which will give a fresh look at anticipated rate actions in 2025.

Earnings reports for the third quarter are all but complete. At this writing, 484 of the S&P 500 companies have reported, with earnings and sales expected to set a new quarterly record. While not at record levels, profit margins are high (11.89%). According to S&P Global, 2024 full-year earnings are expected to increase by a healthy 9.8%.

By any measure, 2024 has been a stellar year to date for the broad U.S. equity markets. Will the major indexes continue higher and deliver investors a December Santa Claus rally? History is on the side of the bulls. Since 1933, there have been twenty-two years when the S&P 500 was up over 20% for the year's first eleven months. In sixteen of those instances, December brought additional gains, with mean returns for the month of 1.9%. Here's hoping that holds true this holiday season.

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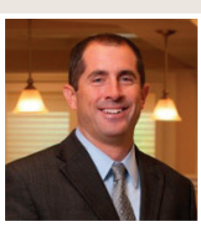

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