November 2024 Market Update

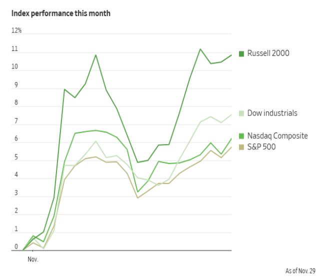
Special points of interest:

- **Equity investors cheered election results with a roaring start to the holiday season.**
- **Although business confidence and demand is increasing, other economic signs may be signaling trouble ahead.**
- **The Fed will meet again in mid-December and potentially reduce interest rates another 25 bps.**
- **Expectations are rising for a solid 2025 market environment even as fears rise for potential disruptions to this forecast.**

Inside this issue:

The Markets in November 2024

It was a roaring start to the holiday season on Wall Street as major domestic stock market indices capped their best month of the year in November. For the month, the Dow Jones Industrial Average soared 7.5% while the Nasdaq and the S&P 500 indices rose by 6.2% and 5.7% respectively. The Russell 2000 index of smaller companies did even better, rocketing higher by 10.8% as investors cheered the likelihood that tax rates would be lower in 2025 and beyond especially for the companies in this index. But while investors crowded into equity trades, other areas such as



crude oil and gold sold off, dropping 1.8% and almost 3% respectively. The 10-year Treasury Note yield dropped from October's 4.284% to 4.178% at November's close after being higher for almost the whole month.

Business confidence and demand has been increasing since the election on hopes for more supportive policies going forward, with one recent survey showing manufacturing and services activity expanding at its fastest pace in 2.5 years. Still, other surveys such as from the ISM show ongoing (albeit, lessening) manufacturing contraction. Signs of hidden potential weakness or normal year—end consolidation? Stay tuned!

Recent economic activity could be signaling a 'last gasp' market bounce or simply post-election exuberance.

A Look Ahead

More immediately, any look ahead starts with the Federal Reserve, which is set to potentially lower their interest rates target again in mid-December. Most bets are for another 25 basis point cut, but the largest scrutiny will be on their forecast for future cuts in 2025. Will they maintain their recent pace into the new year or will they pause for a while? I expect that they will remain noncommittal and this will likely lead to higher short-term rate volatility, even as the intermediate-term outlook remains for rates to drift lower over time.

Meanwhile, the U.S. economy continues to be a financial driver for the world, and after global political uncertainty from this year subsides, expectations seem to be rising for a solid year in 2025. A recently released forecast from the Organization for Economic Cooperation and Development calls for the world economy to grow by 3.3% in 2025, based on an uptick in potential U.S. growth. However, they note that this expectation could be revised lower if tariffs are broadly implemented next year, which seems likely. To me, cautious optimism seems prudent looking ahead.

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