



The Weekly Market Update – 10/21/24: Equities Rally as Election Nears

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,864.67	0.85%	1.77%	22.95%	36.77%	5,864.67	0.0%
Dow Jones Industrial Average	43,275.91	0.96%	2.23%	14.82%	29.15%	43,275.91	0.0%
NASDAQ Composite	18,489.55	0.80%	1.65%	23.17%	39.87%	18,647.45	0.9%
Russell 2000	2,276.09	1.87%	2.07%	12.28%	27.50%	2,442.74	7.3%
MSCI EAFE (USD)	2,409.36	-0.39%	-2.40%	7.75%	18.61%	2,506.69	4.0%
MSCI Emerging Markets (USD)	1,155.12	-0.38%	-1.34%	12.83%	21.24%	1,444.93	25.1%
Bloomberg Commodity Index	98.24	-2.55%	-2.10%	-0.42%	-6.30%	237.95	142.2%
Barclays U.S. Aggregate Bond	92.54	-0.01%	-1.59%	0.92%	7.20%	112.07	21.1%

Source: FactSet

The S&P 500 index increased +0.9% last week, and U.S. equities have surged as the 2024 national election nears. Several factors are driving recent market gains, in our view, with investors reacting positively to strong economic data, the Federal Reserve Bank (Fed) lowering short-term interest rate targets, and expected year-over-year (Y/Y) corporate earnings growth. What is less clear might be market gains attributed to former President Trump gaining in polls and betting markets, and a possible Trump victory increases the chances for the Republican party to take control of both the Senate and the House of Representatives (a “red sweep”). According to Real Clear Politics (RCP), which compiles an average of polling results from 12 leading national polling services, as of 10/20/24, Vice President Harris held a small lead in the national polls, 49.2% vs. 48.3%, but the 0.9% deficit was the closest Trump had been since 8/12/24. The close polling is noteworthy because in both the 2016 and 2020 elections, Trump’s actual election results exceeded polling. RCP data shows that, on 10/20/20, candidate Trump trailed candidate Biden by 8.6% and, on 10/20/16, trailed candidate Clinton by 6.4%. RCP’s state polling data, as of 10/20/24, had Trump leading Harris in each of the seven “swing states” (see appendix) that factor prominently in final election results. Also favoring Trump are the betting markets, which allow “gamblers” to wager real money on political outcomes. These markets are volatile with unproven predictive accuracy but have gained notoriety and RCP compiles an average from eight betting sites. On 10/20/24, Trump had a large betting lead, with 58.3% vs. 40.8% for Harris. Just 15 days earlier, on 10/5/24, betting odds for both candidates were essentially even at 49.3%. We are not convinced of a Trump win, or even a sustained market rally in the event of a Trump win. But we can look to 2016 for some precedent. In 2016, Trump’s victory was a huge surprise to investors, and markets were volatile after Election Day on 11/8/16. From 11/7/16 to 12/31/16, the S&P 500 index gained +5.0%, the U.S. 10-year Treasury yield went to 2.48% from 1.83%, and the U.S. dollar index moved higher. This year, when a Trump win would not be as surprising, from 9/18/24 to 10/18/24, the S&P 500 increased +4.4%, the 10-year Treasury yield rose to 4.15% from 3.71%, and the dollar index has firmed. Perhaps markets are pricing in an uncertain election outcome, but we suspect that economic strength and supportive Fed policy are the larger drivers.

The September retail sales report adds to the 3Q24 economic outlook. The U.S. Commerce Department reported that retail sales increased +0.4% in September from August and, excluding vehicle sales, the increase was +0.5%, much better than the +0.1% growth that was expected. On a Y/Y basis, retail sales ex-vehicles and gas increased +2.3%. This was lower than the previous two months, but sales increased +3.6% (not seasonally adjusted) in the third quarter. As of 10/21/24, the FactSet consensus estimate for 3Q24 U.S. economic growth (as measured by gross domestic product, or GDP) was +2.0% (up from a +1.5% estimate at the end of July), but the Atlanta Federal Reserve Bank’s GDPNow tracker, which tallies quarterly data as reported, increased to +3.4% after the report, reflecting data trending above estimates.

Earnings remain the focus this week as 22% of the S&P 500 are scheduled to report 3Q24 financial reports. While investors largely cheered solid results last week from large banks and the Financials sector overall, more is needed, in our view, if market gains are to continue. Overall, 3Q24 S&P 500 earnings growth is estimated at +4.1% Y/Y (as of 9/30/24), lower than +11.4% in 2Q24, and below the estimates of +14.1% and +13.5% in 4Q24 and 1Q25, respectively. We believe that investors want to see much better than 4% growth this quarter.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The S&P 400 Index is a market cap weighted index comprised of U.S. stocks in the middle capitalization range, generally considered to be between \$200 million and \$5 billion in market value. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The minutes from the most recent FOMC meeting is [here](#). The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. As of 10/7/24, the fed funds target range was 4.75% to 5.25%.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The Federal Reserve Bank of Atlanta publishes a current quarter U.S. economic growth, to track real (inflation adjusted) gross domestic product, or GDP. GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow – the estimate is based solely on the mathematical results of the model. The most recent GDPNow update for 3Q24 GDP reflected growth tracking at 3.2% (as of 10/9/24) and is one source of our commentary about recent U.S. economic data exceeding expectations.

Retail sales data are collected by the U.S. Census (Department of Commerce), and reported monthly in its Advance Monthly Sales for Retail and Food Services. Statistical sampling is used to represent sales from over three million retail and food service firms.

The U.S. Dollar Index measures the strength of the U.S. dollar vs. the currencies of six large U.S. trading partners, including Europe (using the Euro), Great Britain, Japan, Canada, Sweden and Switzerland. As the index moves higher, the U.S. dollar has strengthened relative to the basket.

Data on the party control of current and past Congress; can be found at www.senate.gov and www.house.gov. Information on past presidential results in the electoral college were provided by <https://www.270towin.com/>

Real Clear Politics (RCP) is owned by Real Clear Media Group and it serves a news and polling aggregator by analyzing polling results from multiple qualified sources. We believe it can be used as an indicator of trends and sentiment, not necessarily of final results. The latest data on RCP's national polling average can be found at realclearpolling.com and the current RCP betting odds can be found at [RCP betting odds](#).

During national presidential elections, under the electoral college system, within each individual state the winning candidate receives all of that state's electoral college votes. With a total of 538 electors nationwide, a winner is declared by earning a majority of at least 270 electoral votes. Most states are generally reliable in supporting either the Democratic nominee ('blue' states) or Republican nominee ('red' states), although that can and does shift over time. In 2020 there were seven states where the Presidential votes were within 3% (democrat vs. republican) and are considered contested this cycle and are often called the "swing" or "battleground" states. The seven states (with # of electoral delegates) are: Arizona (11), Nevada (6), Wisconsin (10), Michigan (15), Pennsylvania (19), North Carolina (16), and Georgia (16).