The Weekly Market Update – 11/25/24: It's a Post-Election, Post-Earnings Market

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,969.34	1.68%	3.59%	25.15%	42.34%	6,001.35	0.5%
Dow Jones Industrial Average	44,296.51	1.96%	4.65%	17.53%	34.02%	44,296.51	0.0%
NASDAQ Composite	19,003.65	1.73%	4.48%	26.60%	47.87%	19,298.76	1.6%
Russell 2000	2,406.67	4.46%	7.92%	18.73%	44.78%	2,442.74	1.5%
MSCI EAFE (USD)	2,274.28	-0.05%	-7.87%	1.70%	16.75%	2,506.69	10.2%
MSCI Emerging Markets (USD)	1,087.27	0.21%	-7.14%	6.21%	18.80%	1,444.93	32.9%
Bloomberg Commodity Index	98.97	2.99%	-1.36%	0.33%	-5.39%	237.95	140.4%
Barclays U.S. Aggregate Bond	90.98	0.19%	-3.25%	-0.78%	7.32%	112.07	23.2%

Source: FactSet

With the 2024 election decided and third quarter (3Q24) earnings season mostly completed, investor sentiment has surged on optimism for continued economic and earnings growth. U.S. equity markets traded higher in November with the widely followed S&P 500 equity index (large companies) up +4.6% month-to-date, and the small-company Russell 2000 index up +9.6%, both as of 11/22/24. For now, markets appear to have priced in a "Trump bump," positioning for a pro-growth Administration driven by expectations for less regulation, lower taxes, and smaller government. Through early Monday (11/25), about 95% of S&P 500 constituents had reported 3Q24 financial results, with earnings running modestly above expectations. S&P 500 earnings are expected to increase +5.8% year-over-year (Y/Y), better than estimated growth of +3.8% on 9/30/24. Earnings growth for many companies and sectors were better than the blended index number, indicating strong earnings trends that could support higher expected growth rates in upcoming quarters. Excluding a 3Q24 earnings decline for the Energy sector and a one-time, non-recurring European tax charge for a large technology company, 3Q24 Y/Y earnings growth was +9.3%. Looking ahead, the FactSet S&P 500 consensus earnings estimates for 4Q24 and 1Q25 were +12.0% and +12.3%, respectively. Despite the underlying strength in the third quarter reports, these near-term estimates have not moved higher, but growth expectations remain robust. In our view, meeting or exceeding those estimates are necessary for the S&P 500 to move higher from current levels that are near all-time highs (on 11/22, the index closed at 5,969, just below its highest closing price of 6,001 set on 11/11). The U.S. economy is estimated to grow +2.6% in 2024 and +1.8% in 2025 according to FactSet (consensus estimates from Wall Street economists), with the consensus estimates for both years unchanged since the election. For now, equity markets have moved ahead of Wall Street economic expectations, perhaps an indication that investors believe that economic growth will exceed estimates.

Interest rates remain elevated but have given back much of the immediate post-election surge. On 10/31/24, the U.S. 10-year Treasury yield (a market-traded yield that reflects U.S. long-term interest rates) was 4.28% but surged higher at the beginning of November as markets began pricing in a Trump victory (in our view). By 11/13 (one week after Election Day), the yield moved to 4.45%, its highest level since early July. We attribute the surge in long-term interest rates to U.S. growth expectations, as well as perceived inflationary pressures that could swell due to tariff policies that were broadly outlined during President-elect Trump's campaign. Perhaps notable, as of 11/25/24, the 10-year Treasury yield was at 4.27%, erasing the November increase. This coincided with Trump's nomination of Scott Bessent as incoming Treasury Secretary, an individual who is well regarded by the investment community. Mr. Bessent has supported a more reserved tariff policy and is thought to be keenly aware of inflationary pressures and likely to give the President-elect balanced advice.

U.S. markets will be closed on Thursday for the Thanksgiving Day holiday, and close early on Friday, 11/29/24, which will be the final trading day of November. Equities have rallied in November, and pro-growth sentiment can continue in December. Broad-based gains across sectors, in our view, is an indication of solid economic growth expectations, an outlook that took hold this past summer and has accelerated post-election. Consumer spending has driven upside to economic data, but business spending and government outlays have grown as well. For now, the glass is half full.

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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.

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. Major components includes in GDP data include personal consumption expenditures (PCE), which reflects consumer spending, non-residential fixed investment, measuring business investment, and government expenditures, which includes federal spending along with state and local governments.

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 consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

The U.S. Secretary of the Treasury, or Treasury Secretary, is a cabinet position who works closely with the President of the Unites States. The Treasury Secretary must be confirmed by the U.S. Senate by majority vote. Often referred to as the Chief Financial Officer of the country the Treasury Secretary will work with the Administration to develop and advise on domestic and international financial and tax policy. This also includes matters related to the U.S. budget and preparing the Treasury to issue and refinance debt.