



The Weekly Market Update – 12/9/24: November Jobs Surge, Weaker Below Surface

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,090.27	0.96%	5.69%	27.68%	33.33%	6,090.27	0.0%
Dow Jones Industrial Average	44,642.52	-0.60%	5.46%	18.45%	24.18%	45,014.04	0.8%
NASDAQ Composite	19,859.77	3.34%	9.18%	32.30%	39.60%	19,859.77	0.0%
Russell 2000	2,409.00	-1.06%	8.03%	18.84%	33.17%	2,442.74	1.4%
MSCI EAFE (USD)	2,354.96	1.69%	-4.61%	5.31%	10.83%	2,506.69	6.4%
MSCI Emerging Markets (USD)	1,105.08	2.46%	-5.62%	7.94%	11.95%	1,444.93	30.8%
Bloomberg Commodity Index	97.48	-0.67%	-2.85%	-1.18%	-4.25%	237.95	144.1%
Barclays U.S. Aggregate Bond	92.52	0.35%	-1.61%	0.90%	4.58%	112.07	21.1%

Source: FactSet

The November employment report was better than expected, but complete data reflected some underlying weakness. According to the Bureau of Labor Statistics (BLS), the U.S. economy created +227 thousand (K) nonfarm payrolls (jobs) in November, above the +200K FactSet consensus estimate, and the second-best monthly jobs increase since the first quarter of this year. The average monthly gain over the past three months jumped higher in November compared to October, indicating strength, but the six-month monthly average was relatively unchanged at +143K and is running below levels earlier in the year. According to the BLS' Establishment jobs survey, November jobs gains were paced by health care (+54K), leisure & hospitality (+53K), and government (+33K). Over the past 12 months (Nov '23 to Nov '24), the Establishment data showed the U.S. created 2.3 million (M) jobs, which is the lowest in the past four years following a 9.5M jobs decline in 2020 during the pandemic. But 2024 jobs growth is in-line with the 5-year pre-pandemic (2015 through 2019) average of 2.4M nonfarm payrolls annually. Nearly half of the 12-month increase was from healthcare (+680K) and state and local government (+441K), while jobs in manufacturing, retail trade, administrative, management, finance, and transportation/warehousing were only modestly higher, and, in some cases, modestly lower. We believe the narrowing 2024 jobs gains suggest potential slowing growth in 2025. Additional labor market weakness was reflected in the BLS' Household employment survey, a larger companion survey used to track the unemployment rate and labor force participation. The November unemployment rate nudged higher to 4.2% from 4.1% in October (it was 3.7% in November 2023) and labor force participation (percentage of eligible workers working or actively seeking work) dropped to 62.5% from 62.6%. The Household survey showed a drop of -355K jobs in November, a large discrepancy from +227K in the Establishment survey, and over the past 12 months, the Household survey saw a decline of -725K jobs. While both surveys do not fully measure the impact of undocumented immigration, we believe that the Establishment survey has given a more accurate labor picture (thus showing more jobs), including the impact of immigration. In our view, the Trump Administration's plan to limit border crossings in 2025 creates labor market uncertainty as we look ahead.

Will the recent data alter Federal Reserve Bank (Fed) interest rate policy? The Fed's Open Market Committee (FOMC) concludes its last scheduled meeting of the year on 12/18/24 and we believe will reduce its overnight bank lending fed funds target by -0.25% to a new range of 4.25% to 4.50%. This would reflect the third consecutive FOMC rate target decrease (Sep '24 -0.50% and Nov '24 -0.25%), totaling -1.00%. The Fed has pivoted to lower rates as its inflation fears have eased allowing for a more "neutral" interest rate policy. Given strength in U.S. economic growth, and a pro-growth expectation from a Trump presidency, there is concern that inflation could rekindle, especially if the Fed is overly aggressive with rate cuts. This could put the Fed on hold for a meeting or two, but we believe that pause is more likely at the January 2025 meeting.

November inflation data will be the key economic event of the week ahead. On 12/10/24, the BLS will report the consumer price index (CPI) for November. On a year-over-year (Y/Y) basis, CPI is expected to have increased +2.7%, an uptick from +2.6% in October. Core CPI (excludes food and energy) is estimated at +3.3%, unchanged from October. With November wage growth of +4.0% already reported, wages are outpacing inflation, but the Fed would like CPI data to trend lower toward its +2.0% target. In our view, the CPI report could signal that early 2024 inflation progress has stalled.

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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.

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 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 term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. 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. The "neutral" fed funds rate, is not a known number but is an estimate of the interest rate level that is neither accommodative or restrictive for the U.S. economy.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work. The BLS does measure birth origin of workers (native born and foreign born) but does not explicitly measure immigration status. The birth origin data is reported monthly in table A-7 from the Employment Situation report. The BLS believes that both employment surveys include responses from undocumented workers. Labor force participation is the percentage of the civilian population that is either working or seeking work. The unemployment rate is the percentage of the working age population that is eligible to work but does not have a job.

We track a measure of wages, average hourly earnings of all private employees, which is calculated and reported on a monthly basis by the U.S. Bureau of Labor Statistics. The data measures average hourly earnings of all private employees on a "gross" basis (includes overtime and late shift work, but excludes benefits)