The Weekly Market Update – 12/2/24: A November to Remember

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,032.38	1.06%	4.68%	26.47%	32.06%	6,032.38	0.0%
Dow Jones Industrial Average	44,910.65	1.39%	6.10%	19.16%	24.92%	44,910.65	0.0%
NASDAQ Composite	19,218.17	1.13%	5.66%	28.02%	35.09%	19,298.76	0.4%
Russell 2000	2,434.73	1.17%	9.18%	20.11%	34.59%	2,442.74	0.3%
MSCI EAFE (USD)	2,315.77	1.82%	-6.19%	3.56%	8.98%	2,506.69	8.2%
MSCI Emerging Markets (USD)	1,078.57	-0.80%	-7.88%	5.36%	9.27%	1,444.93	34.0%
Bloomberg Commodity Index	98.14	-0.84%	-2.19%	-0.51%	-3.60%	237.95	142.5%
Barclays U.S. Aggregate Bond	92.20	1.34%	-1.96%	0.54%	4.21%	112.07	21.6%

Source: FactSet

An S&P 500 Thanksgiving-week rally capped the best month of the year as the post-election equity market surge continued. With a +1.1% gain for the holiday-shortened week ended 11/29/24, the S&P 500 equity index notched a November increase of +5.7% (not including dividends), its best monthly gain since November 2023's +8.9% gain. This elevated the 2024 year-to-date (YTD) gain (through November) to +26.5% (and +28.1% total return, including dividends). Equities surged before and after the 11/5/24 election as President-elect Trump is linked to market-friendly, pro-growth economic policies and higher corporate earnings. But equity markets retreated in the second week of November, erasing some of the post-election gains, due to a spike higher in interest rates as investors considered the potential for renewed inflation if all Trump policies were enacted. Over the final two weeks of the month, pro-growth expectations continued and inflation fears abated, leading to interest rates settling lower. The market-traded U.S. 10-year Treasury bond yield was 4.22% on 11/29/24 after trading as high as 4.45% on 11/13, and now trades below its 10/31/24 pre-election level of 4.28%. We believe that upward pressure on long-term interest rates could resume in 2025 as bond markets assess the impact of Trump tariffs and other policies, along with the ongoing federal deficit and a need to raise the debt ceiling (required by Congress). However, those challenges could be pushed out until after the Presidential Inauguration on 1/20/25, and for now, investors have focused on the positives. S&P 500 gains in November included all 11 industry sectors (using MSCI's Global Industry Classification Standards, GICS) moving higher (for the first time since March 2024), with leadership from Consumer Discretionary, Financials, Industrials, and Energy. In addition, the Equal Weight S&P 500 (which we view as a measure of the performance of the average large-company stock) increased +6.2%, and the small-company Russell 2000 Index led major indices with a +10.8% monthly gain. All of this reflects broad participation in equity market gains, a continued welcome development given concentrated leadership in early 2024.

Do November equity market gains lead to December gains as well? Over the past 25 years (1999 to 2024), the fourth quarter (4Q) has been the best seasonal quarter for S&P 500 returns (+4.7% on average, better than the second-best quarter on average, 2Q, +2.1%), and November has been the best single month. Since 1999, the S&P 500 was positive in November 77% of the time, including 12 of the past 13 years (from 2012 to 2024, only 2021 had a down November). December has also been positive 72% of the time since 1999 but has been less reliable in the past 12 years. Since 2012, the S&P 500 traded lower in December four times following a November gain. Most recently, in 2022, the index declined -5.9% in December 2022 after being up +5.4% in November. While the S&P 500 appears on track to post a quarterly gain in 4Q for the sixth consecutive year, December gains are not assured, and we could see more volatility ahead as investors debate the tradeoff between a stronger growth outlook with the potential for higher inflation and interest rates.

According to the Federal Reserve Bank of Atlanta (Atlanta Fed), 4Q24 U.S. economic growth is on pace to exceed FactSet consensus estimates. The Atlanta Fed GDPNow estimate, which tracks economic data as reported, reflected 4Q24 gross domestic product (GDP) growth of +3.2%, as of 12/2/24. More than half of the full-quarter economic data remains unreported but the early trends in the Atlanta model are tracking above the FactSet consensus (from Wall Street economists) of +1.9%. Upside to the model has come from strength in consumer spending and business investment.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

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During the week ended 11/8/24, the S&P 500 index increased 4.7% on a price basis (not including dividends). For the week ended 11/15/24, the S&P 500 decreased 2.1% on a price basis. In each November from 1999 to 2024 (26 years), the S&P 500 increased an average of 2.2% on a price basis. In Decembers from 1999 to 2023 (25 years) the index increased an average of 0.9%.

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.

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.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

U.S. monthly receipts, outlays, deficit, or surplus are reported by the U.S. Treasury at fiscal.treasury.gov. Supporting data is also available from the Congressional Budget Office (CBO). In Fiscal Year 2024 The U.S. budget deficit was $1.8 trillion (T), as tax receipts and other revenue totaled $4.9T and government spending was $6.8T. The most recent CBO budget forecast (June 2024) estimates a fiscal 2025 (ending September 2025) budget deficit of $1.9T. In 2023 the U.S. Congress extended the U.S. debt ceiling (the maximum amount the federal government is allowed to borrow) to January 1,2025. At that point the new limit will be set at the current outstanding debt level, so any additional borrowing must be approved by the new Congress. Accounting methods can be used for a few months before spending must subside, but at some point in 2025 Congress must vote to raise the debt ceiling, otherwise some federal programs would be paused.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). Business investment is measured by Non-Residential Fixed Investment.

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 4Q24 GDP reflected growth tracking at 3.2% (as of 12/2/24) and is one source of our commentary about recent U.S. economic data exceeding expectations.