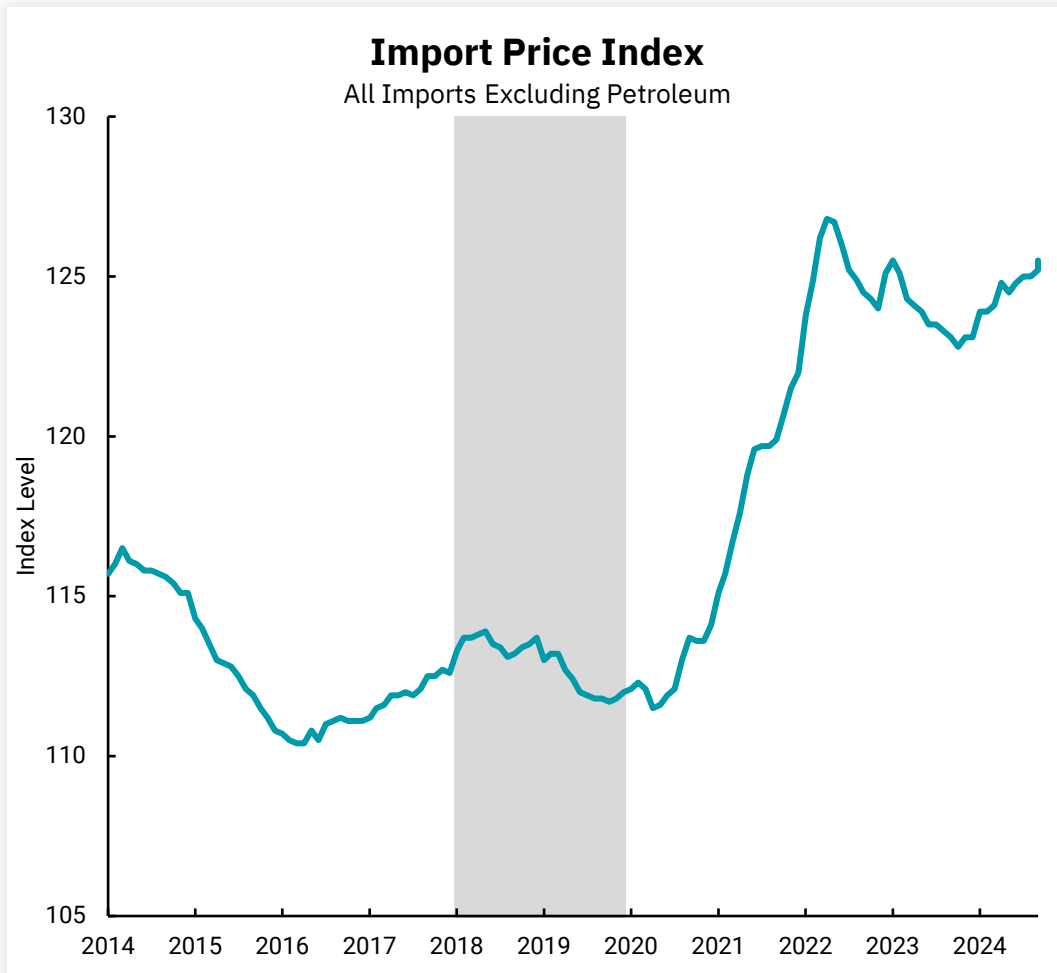


Weekly market update



Chart of the week (Nov. 22, 2024)



Getting past the election process has removed a lot of uncertainty for the capital markets, but questions remain around the implementation of President-elect Trump's policy platform. Tax policies will be a front-burner item, along with changes in regulatory oversight within many sectors, but our chart this week pertains to Trump's campaign platform on tariffs.

At their base, tariffs are a tax increase. Placing a tariff on an imported good increases the price of that good compared to goods without tariffs, which are typically domestically produced. However, how consumers react to the imposition of tariffs is not clear-cut. Simplistically, the imposition of a tariff would raise the price of the imported good by the amount of the tariff, allowing domestic goods to more easily compete on price. Overall, this increase would have an inflationary impact as the overall price consumers would pay for goods would be higher than before the imported goods were "tariffed." One must also consider the choice of an importer or seller of a good to "eat" part of the tariff by accepting a lower profit margin to protect sales volume.

But economics is rarely simple. Consumers might be willing to pay the higher price of the imported good, buy a now "cheaper" similar domestic good, substitute an alternative and buy neither the imported nor domestic good...or choose not to buy anything and save their money. Across this range of options, we see impacts on overall economic activity, which could include slower overall growth. In short, the impact on inflation is not clear cut nor is the impact on economic activity. It is important to note that tariffs are in place today and can be used to help level the playing field across countries and economies. However, a policy of broad tariff imposition, which leads to retaliation by other countries, quickly devolves into a much slower rate of economic growth and more losers than winners.

This week's chart shows what happened to the import price index during President Trump's previous administration when tariffs were raised. The data from this period shows that the impact of tariffs was deflationary instead of inflationary, as the overall index of import prices declined. Does that mean we should expect the same thing now? The devil will be in the details of implementation. The threat of tariffs may be more of a negotiating tactic than an actual tool to use. We expect the idea of "reciprocity" to be used as we go through this process. A number of countries have more open access to our markets than we do to theirs. The idea of raising tariffs on a country's imports to the U.S. might lead to the foreign country reducing tariffs on our exports into their economy.

Of course, tariffs can also be an economic "weapon," and the rhetoric surrounding tariffs on Chinese imports has been more severe. This is going to be a policy that we will watch closely as we consider the implications on the economy, markets, inflation and interest rates.

Weekly market update



Commentary (Nov. 22, 2024)

Domestic Equities

- U.S. stocks were positive for the week, led by small caps, which were up close to 4%. Despite volatility tied to inflation and high interest rates, small caps have outperformed large caps by about 10% in the back half of the year. As of June 30, large caps had outperformed small caps by over 15%.
- Nvidia reported better-than-expected earnings this week, with sales and profits nearly doubling over last year, powered by the rise of AI technology. The stock recently peaked at over \$148 per share, up nearly 200% for the year, making it the world's most valuable company.
- Tax software provider Intuit had a volatile week after members of the incoming Trump administration talked about the government rolling out a free app for filing taxes. During its disappointing earnings call, the Intuit CEO called the plan unlikely, and several analysts agreed.

Bonds

- U.S. Treasuries were mixed with short-term rates moving higher, while longer-term bonds benefited from a flight to safety on rising geopolitical uncertainty.
- Short-term U.S. inflation expectations continued to move higher, with the one-year U.S. Treasury breakeven breaching 2.70%.
- Convertible bonds led the fixed-income market for the week. The rally in convertible bonds was powered partly by MicroStrategy, which has benefited from the rally in Bitcoin.
- European sovereign bond yields fell, and the exchange rate between the euro and the U.S. dollar dropped to its lowest level since 2020 on weaker Purchasing Managers' Indices (PMIs) and rising rate-cut expectations. Overnight index swaps (OIS) are now pricing in just under a 50% probability that the European Central Bank will cut rates by 0.50% in December.

International Equities

- Foreign stocks inched higher as underlying investor sentiment remains cautious over lingering concerns about potential global trade policy changes from the new U.S. administration.
- Developed markets inched higher, with uneven performance across Europe's largest markets. On the economic front, Japan's headline inflation rate slipped to 2.3%, while the U.K.'s inflation rose sharply to a higher-than-expected 2.3%.
- Emerging markets struggled to find momentum during the week with bumpy performance across the largest markets in Asia and Latin America. Asian markets encountered some volatility as concerns surfaced about the corporate earnings outlook, economic growth and the adequacy of China's recent stimulus measures to lift consumer demand in its economy.

Economics

- On Thursday, existing home sales showed a month-over-month increase of 3.4%. This figure was in line with expectations and showed that home buyers had taken advantage of slightly lower mortgage rates. Home sales year-over-year rose 2.9%, which was the first increase since July 2021. Actual sales figures reached 3.96 million, which is still below pre-pandemic levels.
- Jobless claims showed an increase of 213,000 new unemployment claims. This was slightly below consensus estimates of 219,000. Jobless claims have been slowly falling since the increase from the hurricanes and labor strikes.
- The S&P Case-Shiller home price index and new home sales will be reported on Tuesday.

Weekly Market Update

For Week Ending November 22, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	44,296.51	2.0%	19.5%	28.0%
S&P 500 Index	5,969.34	1.7%	26.7%	32.8%
NASDAQ Composite	19,003.65	1.8%	27.4%	34.2%
S&P 400 Midcap Index	3,341.77	4.2%	21.7%	33.2%
S&P 600 Smallcap Index	1,517.34	3.7%	16.9%	32.3%
MSCI EAFE	8,120.29	0.0%	4.3%	11.1%
MSCI Emerging Markets	579.23	0.2%	8.5%	13.2%
Bloomberg US Agg	2,194.90	0.2%	1.5%	6.2%
Bloomberg Municipal 5 Yr	496.56	0.1%	1.6%	4.2%
Bloomberg US Corporate	3,302.06	0.1%	2.5%	8.1%
Bloomberg Glb Agg ex US Hdq	588.45	0.2%	4.2%	7.6%
Bloomberg High Yield	2,682.87	0.3%	8.2%	13.3%
MSCI US REIT Index	2,458.82	2.2%	14.4%	28.3%
Bloomberg Commodity Index	238.01	3.1%	5.1%	2.0%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.75%	4.75%	5.50%	5.50%
3-Month Treasury	4.54%	4.49%	5.33%	5.41%
1-Year Treasury	4.40%	4.32%	4.76%	5.25%
2-Year Treasury	4.37%	4.30%	4.25%	4.90%
5-Year Treasury	4.29%	4.31%	3.85%	4.43%
7-Year Treasury	4.34%	4.38%	3.88%	4.45%
10-Year Treasury	4.40%	4.44%	3.88%	4.40%
30-Year Treasury	4.59%	4.62%	4.03%	4.54%

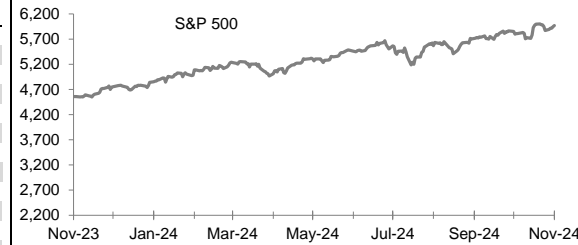
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.23%	7.33%	6.99%	5.83%
Prime Rate	8.50%	8.50%	9.25%	9.25%
SOFR	4.57%	4.57%	5.38%	5.31%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,716.19	2,563.25	2,062.98	1,990.17
Crude Oil (WTI)	71.24	66.92	71.65	73.95
Gasoline	3.06	3.08	3.12	3.27
Natural Gas	3.13	2.82	2.33	4.01
Copper	4.13	4.11	3.89	3.92

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	23.56	23.45	5.57	1.57
S&P 500	24.62	25.02	5.19	1.29
S&P 500 Value	18.82	18.86	2.97	2.23
S&P 500 Growth	31.75	34.21	12.01	0.63
NASDAQ	35.01	37.39	7.24	0.69
S&P Midcap 400	19.00	18.71	2.75	1.61
S&P Smallcap 600	18.61	18.43	2.01	2.24
MSCI EAFE	14.61	13.78	1.78	3.24
MSCI Emerging Markets	13.34	12.74	1.70	2.85

Source: Bloomberg

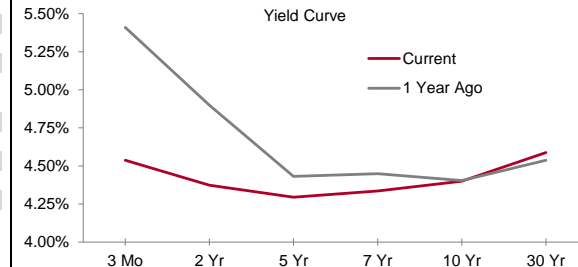
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	2.69	2.14	1.73	19.27	26.69	33.41
Mid	6.91	6.58	6.27	18.80	21.74	24.46
Small	8.47	8.37	8.26	13.90	16.87	19.73

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	-0.22	-0.66	-1.68	3.39	2.17	-4.49
Corp	-0.08	-0.44	-0.95	4.66	4.03	-0.44
HY	0.55	0.60	0.21	8.92	8.21	6.71

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.6%	3.2%
CPI Core Inflation	3.3%	4.0%
Personal Consumption Exp (PCE) Core	2.7%	3.7%

	Last Release	Year Ago
Jobs		
Unemployment Rate (U3)	4.1%	3.8%
Broader Unemployment Rate (U6)	7.7%	7.2%
JOLT Survey (in millions)	7.44	9.31
Jobless Claims (000's)	213	213
Change in Non-Farm Payroll (000's)	12	165
Average Hourly Earnings (YY % Change)	4.0%	4.3%

	Last Release	Year Ago
Consumer & Spending		
Consumer Confidence (Conf Board)	108.7	99.1
Consumer Spending (\$ Bil)	20,024	19,025
Consumer Credit (\$ Bil)	5,103	4,991
Retail Sales (\$ Bil)	719	699

	Last Release	Year Ago
Housing		
Housing Starts (000's)	1,311	1,365
Case-Shiller Home Price Index	325.03	311.78

	Last Release	Year Ago
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	23,386	22,781
Quarter over Quarter Change	2.8%	4.4%
Year Over Year Change	2.7%	3.2%
ISM Manufacturing	46.50	46.90
Capacity Utilization	77.13	78.27
Markit US Composite PMI	55.30	50.70

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	99.5	103.8
Trade Weighted Dollar Index	127.1	121.4
EUR / USD	1.04	1.09
JPY / USD	154.78	149.54
CAD / USD	0.72	0.73
AUD / USD	0.65	0.65

S&P 500 Sector Returns

	1 Month	YTD
Financials	7.60%	36.54%
Information Technology	-0.53%	34.71%
Communication Services	2.34%	32.82%
Utilities	0.17%	31.76%
Industrials	3.97%	26.47%
Consumer Discretionary	10.67%	24.17%
Energy	6.98%	19.17%
Consumer Staples	0.71%	19.00%
Real Estate	0.54%	12.90%
Materials	-2.55%	11.12%
Health Care	-4.57%	7.07%

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