MONTHLY MARKET RECAP

December 3, 2024

Index	Asset Class	2024 Nov.	2024 YTD	2023
Equity Indexes		**Total Returns**		
NASDAQ 100	Mega Cap U.S. Growth Equity	5.3%	25.3%	55.1%
S&P 500	Large Cap U.S. Equity	5.9	28.1	26.3
S&P 400	Mid Cap U.S. Equity	8.8	22.7	16.4
S&P 600	Small Cap U.S. Equity	10.9	18.1	16.1
MSCI All Country World	Global Equity	3.8	20.8	22.8
MSCI All Country World (Ex U.S.)	International Equity	(0.9)	8.2	16.2
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	(0.6)	6.8	18.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	(3.6)	8.2	10.3
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	1.1	2.9	5.5
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	1.6	2.5	6.2
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	1.5	8.2	8.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	1.2	8.7	13.4
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		3.2	17.1	19.2
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.7	13.4	15.7
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.1	9.8	12.3
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.6	6.3	8.9

Data as of 11/30/2024. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.

Please see important disclosures at end of this report.

Economy & Politics

It has been a month since election day, and markets have been moving in response. Regarding the gains by U.S. stocks since the election, much credit has been given to the anticipated business-friendly policies of the incoming Trump administration, buttressed by Republican control of both the U.S. House and Senate. However, in our view, not enough credit has been given to simply the absence of controversy around the election process and results itself. We believe that markets were bracing for potential controversy and even violence, and some of the gains in U.S. stocks since have simply been due to the relaxation of concerns around our democratic processes and about the peaceful transfer of power.

Regarding the anticipated business-friendly policies of the Trump administration and Republican-led Congress, these primarily include expected deregulation and lower tax rates. It would be simpler, in our view, if it just stopped there… We're less sanguine about the potential impacts from the threatened tariffs and mass deportations, both of which we consider as threats to reignite inflation, and to potentially disrupt our international relations and domestic societal stability. Possibly most disruptive to the stability of investment markets would be any attempt to undermine the independence of the Federal Reserve, which President-elect Trump threatened during his campaign.

We are certainly hopeful for continued economic growth and favorable market trends, but reiterate our pragmatic view on the potential implications of politics for the economy and markets. As we shared in greater detail in our October

Monthly, our view is that "… While the U.S. President and Congress are in positions to make consequential decisions, the impact of most of their economic and tax policies can take years to meaningfully impact the broader U.S. economy. And, even when they finally do, those impacts may be among other greater impacts out of the control of fiscal policy."

Equity Markets

Since the U.S. election, global equity markets have moved decisively, if even superficially, to discount the anticipated policy shifts of the incoming Trump administration. U.S. stocks gained reflecting an anticipated more favorable business climate; Small Caps gained more in part due to anticipated relaxed antitrust scrutiny accommodating heightened M&A. International stocks declined owing to the threatened tariffs.

Within U.S. equities, there's been some contrast in performance across sectors, led by the outperformance of Financials on expected deregulation (particularly Regional Banks which gained 14.9% in November[1]), and the underperformance of Health Care due to uncertainties from Robert F. Kennedy Jr. being nominated for U.S. Secretary of Health and Human Services – these uncertainties are attributable to RFK Jr.'s previously voiced anti-vaccine beliefs and some other controversial views on health and wellness issues.[2]

Fixed Income Markets

Overall, market interest rates have held steady since the election, and the bond indexes we track had a decent month in November – led by Investment Grade Muni's. The FOMC next meets later this month (December 17 & 18), and bond futures are discounting another 1/4 point cut (by a 70% probability). Possibly more interesting, however, is what's presently discounted for the following FOMC meeting in late January 2025 – i.e., a 60% probability of no change, bracketed with about equal chances of a ¼ point cut or hike. This is not inconsistent with a potential uptick in inflation risk as we referred to above.

Reference(s):

1) References to relative Sector Index performance reflects our measure of SPDR Sector and Industry Index ETF returns within November. The Regional Bank Index return mentioned is for the SPDR S&P Regional Banking ETF (KRE).
2) NPR New Article, "Trump picks RFK Jr. to oversee the Department of Health and Human Services", November 14, 2024 - https://www.npr.org/2024/11/14/nx-s1-5188411/robert-kennedy-trump-administration-health