December 2, 2024

November Market Recap

Equity markets experienced a post-election rally with the S&P 500 crossing 6,000 for the first time on November 11 and finishing the month up 5.7%. The S&P 500 and the Dow Jones Industrial Average each saw four all-time highs in November, driven by the market's belief that the incoming administration's economic agenda is pro-growth.

"A post-election bounce is not unusual because the market likes clarity," said Raymond James Chief Investment Officer Larry Adam. "However, be careful not to extrapolate the recent gains as the market will increasingly focus on the fundamentals."

In equities, small companies were the big story as small cap stocks outperformed large caps. Smaller companies are seen as more reliant on adjustable-rate borrowing, so the rally could be attributed to the Federal Reserve's cuts to the baseline interest rate. Small caps were likely further aided by the expectation that the incoming administration's deregulatory theme will benefit the heavily weighted Financials sector.

Meanwhile, European stocks suffered their worst month relative to the U.S. since 1998.

Bond yields were higher for the month, driven by surprisingly strong economic data and revised rate cut expectations.

We'll dive into the details below, but first, a look at the numbers year-to-date:

	12/29/23 Close	11/29/24 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	37,689.54	44,910.65	+7,221.11	+19.16%
NASDAQ	15,011.35	19,218.17	+1,262.55	+26.47%
S&P 500	4,769.83	6,032.38	+1,262.55	+26.47%
MSCI EAFE	2,241.21	2,315.77	+74.56	+3.33%
Russell 2000	2,027.07	2,434.73	+407.66	+20.11%
Bloomberg Aggregate Bond	2,162.21	2,225.45	+63.24	+2.92%

*Performance reflects index values as of market close on Nov. 29, 2024.

Republicans secure Washington trifecta

Donald Trump’s victory, combined with Republicans taking control of the Senate and retaining control of the House, strengthens his mandate and ability to enact his policy priorities, with announcements of key personnel throughout the month offering a preview of likely agenda items. The slim House majority could complicate the path forward, however, especially around fiscal negotiations. Volatility around state and local tax deductions, the fate of the 2022 Inflation Reduction Act and the use of tariffs to offset tax cut extensions will be factors to watch.

Markets react to election results

Small caps, banks, Industrials and Consumer Discretionary stocks rose sharply last month as the biggest “election beneficiaries.” Interest-sensitive and tariff-exposed areas lagged, as did clean energy. Reactionary momentum may persist for weeks to come, but markets tend to move fast in one direction before reality plays out. Uncertainty surrounding the economy and inflation could create volatility.

Yields continue to rise

Treasury yields moved in extremes during November, with the 10-year reaching as high as 4.44% and dipping as low as 4.26%. Yields began moving up ahead of the election, each week building on the momentum from the last throughout the month. The selection of Scott Bessent, a Wall Street veteran, as secretary of Treasury proved popular and the market rallied, bringing yields 10+ basis points lower across the curve.

Seeking clarity on the U.S. economy

Employment data varied with the source. The establishment survey indicated employment was almost unchanged during October, while the household survey showed a large loss of jobs and the survey of small businesses by the human resources firm ADP showed a large increase in jobs. The labor strike and hurricanes may have temporarily distorted employment readings, so the upcoming November jobs report should provide some clarity.

The Consumer Price Index (CPI) was in line with expectations during October, up 0.2% while the core CPI was up 0.3%, with increased shelter costs preventing the index from slowing year over year. October retail sales, meanwhile, beat expectations and September results were revised higher from earlier estimates.

Focus on Trump’s proposed tariffs

After the U.S. election, international attention is centered on the incoming administration’s promise to increase tariffs, particularly the proposed 60% tariff on goods imported from China. While it’s clear some countries will be hit harder than others, the impact on global economics may prove comparatively limited. Goods exported to the U.S. amount to less than 3% of Chinese GDP, and the cumulative effect of even a 60% tariff could ultimately be well below 1% of GDP. Of more pressing concern is China's growing solvency crisis in the troubled real estate sector.

Europe well positioned to withstand gas price hike

The Russian government continues its campaign to weaponize natural gas, halting supply to Austria via a pipeline that runs through Ukraine and pushing up European gas prices as winter approaches. But Europe is prepared, having lived with an 80% cut in Russian gas for the last two years through increased imports of liquefied natural gas as well as expanded wind and solar power generation. Gas prices, while elevated, are nowhere near their 2022 peak, and the euro is substantially stronger, equivalent to $1.05, than during the energy crisis two years ago, when it was valued at $0.95.

The bottom line

The election results signal increased growth potential, but when you add Fed easing and market all-time highs to the mix, the chances of inflation rearing its head again also increase. Investors will remain sensitive to the monthly data, and we've seen sentiment and positioning shift rapidly, creating volatility.

It's helpful to remember that while politics can drive headlines, fundamentals drive the market longer term.

I will remain committed to the pursuit of your financial goals and thank you for your continued trust in my guidance. If you have any questions about this recap – or anything else – please don't hesitate to reach out.

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