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MARKET MINUTE

NOVEMBER REVIEW 2024

This month's Market Minute reflects the views of our Research Team and was composed by
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OVERVIEW

Seemingly there was only one theme that dominated the headlines in November and that was the U.S. presidential election, the results of the election, and the actions of the victor. For the first time in over a hundred years, a President has won re-election in non-consecutive terms—history buffs know this was last accomplished by Grover Cleveland in the 1890s. President-elect Trump's re-election was much more decisive than his first election in 2016. Not only did he carry each of the seven swing states and increase his margin of victory in the electoral college, but he also helped flip the Senate to Republican control and carried enough Republican representatives to victory to ensure that the House will be retained by the Republicans. Donald Trump has wasted no time and has nearly finalized his picks for his next Cabinet. There have been more than 40 picks for positions that his administration revealed in the 17 days since his first nomination on November 7.[1] The cabinet selections and pace of action reflect Trump's desire to be a disruptive force in American politics and the economy.

Since the elections, stocks have powered ahead as the S&P 500 has broken through the 6,000 level, reaching a new all-time high. Small cap stocks (Russell 2000) reached a three-year high and nearly equaled their all-time high set in April 2021.[2] After spending months bouncing around the $70,000 level, following the November 5th election, Bitcoin took off and flirted with $100,000 before settling at $96,841 at month-end.[2] Interest rates were volatile following the election but ended the month lower across the yield curve. Like other risk assets, high yield and emerging market debt fixed income markets also performed well in November.

U.S. EQUITY MARKETS As of November 30, 2024

U.S. EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
DJIA	7.7%	6.4%	21.2%	27.2%
S&P 500	5.9%	4.9%	28.1%	33.9%
Russell 2000	11.0%	9.4%	21.6%	34.1%
Russell 1000 Growth	6.5%	6.1%	32.2%	38.0%
Russell 1000 Value	6.4%	5.2%	22.8%	29.5%

It is hard to conclude that US equity markets did not like the results of the presidential election, as equities rallied hard in the days and weeks after America went to the polls. The S&P 500 rose 5.9%, mid-caps (Russel Midcap Index) gained 8.8%, and small caps (Russell 2000 Index) surged over 11.0% for the month. The Trump campaign's pro-growth policy stances—deregulations, potential tax cuts, and a new government efficiency office—seemed to outweigh any concerns with the overall US debt outlook or potential tariffs on select countries. Markets were also buoyed by another solid quarter of corporate earnings and largely shrugged off some mixed economic data as well as the fact that the Fed seemed ambivalent towards another rate cut in December.

The gains in equities were widespread with all 11 sectors gaining in November—even Healthcare (S&P 500 Healthcare sector +0.3%) despite widespread analyst fears about healthcare policy uncertainty stemming from Washington. The best performing sector, Consumer Discretionary (S&P 500 Consumer Discretionary sector +13.3%) was lifted after Walmart suggested that a good holiday shopping season lay ahead. There was little difference between growth stocks and value stocks at the large cap level, but mid-cap and small-cap growth stocks outpaced their corresponding value peers. Equity markets largely saw the cup as half-full in November and the more speculative portions of the market generally fared the best.

INTERNATIONAL EQUITY As of November 30 2024

INTERNATIONAL EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
MSCI ACWI ex USA	-0.9%	-5.8%	7.6%	13.0%
MSCI EAFE	-0.6%	-6.0%	6.2%	11.9%
MSCI Emerging Markets	-3.6%	-7.9%	7.7%	11.9%
MSCI EAFE Small Cap	0.1%	-6.2%	4.2%	11.8%

International equities fared much worse in November, in part, because the US dollar strengthened in the weeks after the election. In many parts of the world, economic data came in a little softer than expected and investors may have begun to worry about the impact of Trump's tariff policies on select business and industries. Chinese equities—China may be target of some of the highest tariffs under Trump's second presidency—declined (MSCI China Index) by -4.4% in November and dragged down broader emerging market equities (MSCI EM Index -3.6%) as well. International developed equities (MSCI EAFE -0.6%) held up better than their emerging market peers, but also failed to make any gains in November. There was little difference between non-US growth and value stocks (MSCI ACWI ex US Growth -0.8% vs MSCI ACWI ex US Value -1.1%), nor between large cap and small cap names (MSCI ACWI ex US -0.9% vs MSCI ACWI ex US Small -0.4%).

FIXED INCOME As of November 30, 2024

FIXED INCOME MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
Bloomberg US Aggregate	1.1%	-1.4%	2.9%	6.9%
Boomberg Global Aggregate	0.3%	-3.0%	0.5%	4.6%
Bloomberg US High Yield	1.2%	0.6%	8.7%	12.7%
JPM Emerging Market Bond	1.2%	-0.6%	7.3%	12.5%
Bloomberg Muni	1.7%	0.2%	2.5%	4.9%

Volatility in interest rates has become the norm and November was no exception. Following Donald Trump's election, interest rates rose and remained elevated until the last week of the month and then plunged – witness the U.S. Treasury 10-year declining over 20 basis points to close at 4.17%.[2] As such, fixed income markets posted solid returns in November. The Bloomberg U.S. Treasury index was the laggard performer at 0.78%, while investment grade corporates, high yield bonds, emerging market debt, and municipal bonds all outperformed (Bloomberg's Corporate Index +1.34%, High Yield Index 1.15%, Municipal Index 1.73% and the J.P. Morgan Emerging Markets Bond index 1.19%).

Throughout the year we have been witnessing volatile interest rate movements while, at the same time, credit spreads (the difference between the yield on a corporate bond and a U.S. Treasury security of the same maturity) have been narrowing, reflecting the market's willingness to accept risk. As long as the economy continues to perform well and corporations deliver on their projected earnings, such an environment will continue to favor risk assets over U.S. Treasury securities.

CONCLUSION & OUTLOOK

Our expectation was that we would be writing about an election whose results were unknown, that judicial courts would be flooded with election challenges, and that we would not know the results until mid-December. One thing is for certain and that is financial markets do not like uncertainty. The fact that we clearly know the outcome may be the simple reason the markets have performed so well following the election.

As we have said before, an election's outcome is short-term noise for financial markets. When zooming out over the longer- term (something we believe investors must do to mitigate overreacting to the media-hyped election noise), we note that returns, when investing at the beginning of the election year, are similar regardless of the party that wins the presidential election. There are a lot of unknowns for the US economy – tariffs, taxes, deficits, Fed monetary policy, corporate earnings, AI – that will impact the economy and financial markets for the years ahead. As we get more clarity on these variables, a more thoughtful analysis can be used to make investment decisions and construct portfolios that we believe could deliver favorable long-term results.

SOURCES

1 *Newsweek, 11/25/2024*
2 *Bloomberg LP*

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