MONTHLY MARKET UPDATE

November 2024

OPAL WEALTH ADVISORS

Key market drivers in November included a good deal of geopolitical developments and a relatively supportive economic calendar which maintained the "no landing/soft landing" consensus in the U.S. Overall financial conditions continued to be very supportive with equity markets, interest rates, and credit spreads all ending the month in a net positive direction.

Donald Trump won a second term and Republicans a Congressional majority which clears the way for more bold policy action in DC centered primarily around tariffs, immigration, corporate tax cuts, and deregulation. Policy indications and cabinet picks should provide signals to markets in the coming months on policy sequencing whether legislative or executive giving markets opportunity to price implications. Material geopolitical developments outside of the U.S. in Syria, Ukraine, China, France, Middle East, and South Korea all carry potential significance but capital markets were unfazed throughout November. Regime overthrow in Syria, Israel-Arab conflict in the Middle East, and the Russian invasion of Ukraine were the key armed conflicts during the month while fiscal deficit breaking points in France and a brush with martial law in South Korea were dangerous political maneuvers on display.

The economic backdrop stayed supportive during the month with a firm, but cooling labor market countered by inflation rates, which have slowly trended down, remaining stubbornly above the Fed's 2% target and price levels still materially higher than pre-pandemic levels. New jobs have been trending in the 125k-145k range while the household survey has seen the unemployment rate back up to 4.246% while growth has remained in a very healthy 2.5%-3.5% range. Lastly, the third quarter corporate earnings season peaked in November where the S&P 500 managed a 5th consecutive positive quarter of growth at 5.8% with consensus expectations for the fourth quarter at 11.9%.

U.S. equity markets rallied sharply in November, recording their best month of the year and marking new record highs. Small caps returned over 11% while large cap growth and value stocks both closed up over 6%. However, international developed markets lost 0.6% where small gains in Japan and the UK were offset by poor performance in mainland Europe (France, Italy). Emerging markets traded down 3.6% where losses were broad based across China, Indonesia, Brazil, and Korea. A strong USD (+1.8%) certainly factored into the relative underperformance of non-U.S. assets.

Interest rates gave bond markets a bit of a ride where they continued on October's path higher through middle November but ultimately settled down toward month end to a level lower than where they began the month. 10yr yields closed down 10 bps to 4.18% and high yield spreads compressed by 14 bps to close the month at an extremely tight 2.74%.

Market Anecdotes

- Concern over high budget deficits and outstanding government debt are tangible given the trajectory of the past 25 years but spending cuts, economic growth (the denominator), and new tariff tax revenue warrant careful attention as investors consider deficits and debt going forward.
- Torsten Slok pointed out a common misconception in economics, stock/level versus rate of change by noting while YoY inflation is near 2% the overall price level is 22% higher than pre-pandemic 2020.
- A new research piece from Robert Shiller titled "U.S. Crash Confidence Index" indicated a very high level of investor comfort and complacency, a cautious narrative amidst the current backdrop of record high equity markets.
- Japan and China unloaded record sums of UST in 3Q adding to the trend of foreign central bank selling and foreign private investors buying, who have become the largest holders of U.S. debt.
- Bloomberg reports the BLS will be releasing new labor market survey data that attempts to capture workers in the gig economy where estimates range from 5% to 30% of the total workforce.
- Extending the TCJA will require approximately

$3.9t over 10yrs before getting to Trump's campaign promises. Strategists predict that it will be cut to 5yrs/$1.9t with 50% to the deficit and 50% offset, a portion likely sourced from 'off budget' executive action tariff tax revenue.

- An FT article highlighted new laws in China designed to retaliate against countries waging trade wars by blacklisting foreign companies from Chinese markets, employing sanctions, and cutting off supply chains relied upon by American companies.
- An article in the FT highlighted rising risks of re-defaulting instances in CRE following the unprecedented 'extend and pretend' trend of loan modifications by U.S. banks in response to commercial real estate stress.

Economic Release Highlights

- November Payrolls beat consensus (227,000 vs 211,000) while the Unemployment Rate increased to 4.2%. Average Hourly Earnings came in slightly ahead of forecast with MoM 0.4% vs 0.3% and YoY 4.0% vs 3.9%.
- Headline and Core PCE inflation were right in line with consensus estimates at 2.3% and 2.8% YoY respectively. MoM readings were 0.2% and 0.3% respectively.
- Personal Consumption Expenditures were in line at 0.4% MoM (3% YoY) while Personal Income grew 0.6% MoM (2.7% YoY), well above the spot forecast of 0.3% and estimated range of 0.1% to 0.4%.
- The second reading of 3Q GDP was unchanged at 2.8% but personal consumption expenditures were revised slightly lower from 3.7% to 3.5%.
- November CPI rose in line with expectations across the board with YoY headline and core at 2.7% and 3.3%, respectively, and MoM readings both at 0.3%.
- The November ISM Manufacturing Index came in slightly above forecast (48.4 vs 47.6). The ISM Services Index came in below the spot forecast (52.1 vs 55.5) and range of estimates (54.0-57.5).
- The November JPM Global Manufacturing PMI improved slightly from 49.4 to 50.0 while the Services reading stayed at 53.1. The Composite reading climbed one tick to 52.4.
- November's NFIB Small Business Optimism Index reading of 101.7 handily beat the consensus figure of 94.5 and marked a notable uptick from the prior reading of 93.7.
- The JOLT Survey reported 7.744M openings, above the spot forecast (7.490M) and consensus range (7.287M to 7.550M) with a vacancy rate unchanged at 4.6%. The quits rate moved higher overall but remained steady in the private sector.
- Retail Sales grew 0.4%, slightly ahead of the 0.3% forecast while the Ex-Autos (0.1% vs 0.3%) and Ex-Autos & Gas (0.1% vs 0.4%) readings both missed.
- The final reading for UofM Consumer Sentiment in November was revised lower from 73.0 to 71.8 while 1 yr inflation expectations were unchanged at 2.9%.
- Consumer Confidence improved in November, rising from 109.6 to 111.7, slightly behind the spot forecast but within the consensus estimate range.
- New Home Sales declined from 738k to 610k, a larger decline than the spot forecast of 725k and below the consensus range of 710k-750k. Pending Home Sales rose 2.0%, well above the spot consensus of -1.8% and range of -2.1% to 0.4%. Existing Home Sales came in at consensus 3.96M, up 3.4% MoM and 2.9% YoY.
- Housing Starts (1.311M) and Permits (1.416M) decreased slightly versus prior month but registered at the consensus forecast.
- November's Housing Market Index registered 48, well above the prior month reading and spot consensus both of which were 43. Case-Shiller Home Price Index reported home prices rising 0.2% MoM and 4.6% YoY, both generally in line with consensus forecasts.

Outlook

Our intermediate-term outlook for equity markets was upgraded initially in September and was followed with a second upgrade in the first half of November while maintaining active tilts toward domestic mid/small cap and value-oriented equities.

While market participants await policy details from the incoming U.S. administration and lawmakers, the expectation of a pro-growth fiscal policy and deregulation efforts should be supportive for risk assets in the near-term but ultimately will depend on the composition and sequencing of legislative/executive actions in 2025. Risks to a constructive outlook include protectionist trade policy (tariffs), delicate labor supply dynamics (immigration), and problematic fiscal deficits, all of which warrant close monitoring.

From a duration standpoint, while acknowledging an upside bias on rates due to the improved growth outlook and potential inflationary pressures, we are maintaining a neutral duration stance at this time due to potentially disruptive trade and foreign policies in the coming months. Our view on corporate credit risk has marginally improved in sympathy with our view on the overall growth backdrop.

Equity	**Level**	**1 Mo**	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**
Dow Jones	44911	7.74	8.47	21.21	27.19	11.44
NASDAQ	19218	6.29	8.68	28.86	36.05	8.20
S&P 500	6032	5.87	7.15	28.07	33.89	11.44
Russell 1000 Growth		6.49	9.14	32.19	38.04	10.92
Russell 1000 Value		6.39	6.68	22.76	29.56	10.39
Russell 2000		10.97	10.13	21.58	36.43	4.96
Russell 3000		6.65	8.06	27.71	34.49	10.54
MSCI EAFE		(0.55)	(5.04)	6.75	12.44	4.68
MSCI Emg Mkts		(3.58)	(1.55)	8.15	12.42	(0.82)
Fixed Income		**1 Mo**	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**
US Aggregate		1.06	(0.13)	2.93	6.88	(1.95)
High Yield		1.15	2.23	8.67	12.67	3.70
Municipal		1.73	1.23	2.55	4.93	(0.01)

Commodities	**11/30/24**	**9/30/24**	**6/30/24**	**3/31/24**
Oil (WTI)	68.65	68.75	82.83	83.96
Gold	2651.10	2630.00	2330.90	2214.40

Currencies	**11/30/24**	**9/30/24**	**6/30/24**	**3/31/24**
USD/Euro ($/€)	1.06	1.12	1.07	1.08
USD/GBP ($/£)	1.27	1.34	1.26	1.26
Yen/USD (¥/$)	150.41	143.25	160.88	151.22

Treasury Rates	**11/30/24**	**9/30/24**	**6/30/24**	**3/31/24**
3 Month	4.58	4.73	5.48	5.46
2 Year	4.13	3.66	4.71	4.59
5 Year	4.05	3.58	4.33	4.21
10 Year	4.18	3.81	4.36	4.20
30 Year	4.36	4.14	4.51	4.34

Style Returns

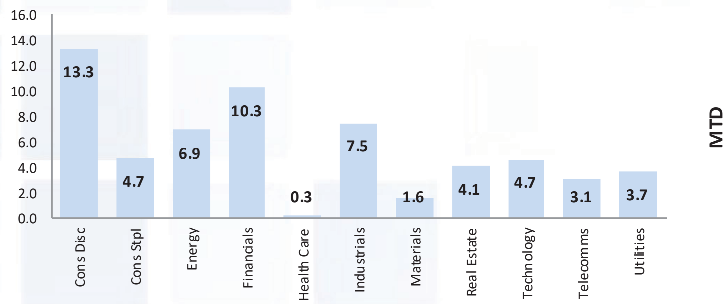
MTD

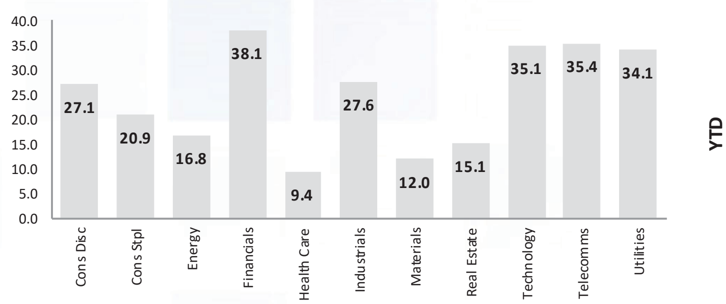
	V	**B**	**G**
L	6.39	6.44	6.49
M	7.36	8.82	13.33
S	9.65	10.97	12.26

YTD

	V	**B**	**G**
L	22.76	28.08	32.19
M	22.00	24.07	30.20
S	17.88	21.58	25.42

S&P 500 Sector Returns





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