

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- The Institute of Supply Management (ISM) released its October services purchasing managers' index (PMI). The headline composite index came in at 56.0, better than the forecast of 53.8. The latest reading moves the index back into expansion territory for the 50th time in the past 53 months (levels above 50 signal expansion; levels below signal contraction).
- Following the 2024 U.S. presidential election, the stock market experienced a substantial surge. On November 6, 2024, the S&P 500 Index rose by 3.5%, marking its largest single-day gain in over a year. This rally was driven by investor optimism regarding the election outcome and expectations of favorable economic policies under the new administration.
- On November 7, 2024, the Federal Reserve reduced the federal funds rate by 0.25%, bringing it to a range of 4.5% to 4.75%.

How does this most recent economic data impact you?

- With Donald Trump winning the election, markets reacted quite positively. There are two sides to the campaign that can have the most significant impact on markets. The incoming administration's proposed reduction of the corporate tax rate from 21% to 15% is expected to boost corporate earnings, potentially increasing stock valuations, particularly in sectors like technology and finance. Conversely, implementing a 10% universal tariff on imports may raise costs for import-reliant industries, potentially leading to higher consumer prices and impacting sectors like manufacturing and retail.
- The Fed's decision to cut rates again reflects their response to moderating inflation and a cooling labor market. The move aims to support economic growth by lowering borrowing costs for consumers and businesses. However, the Fed maintains a cautious stance, indicating that future rate adjustments will depend on ongoing economic data. This rate cut is part of a broader strategy to balance the goals of maximum employment and price stability.



A LOOK FORWARD¹

- This week, investors will focus on Tuesday's NFIB Small Business Confidence Index, the Consumer Price Index (CPI), and the Producer Price Index (PPI) on Thursday and retail sales on Friday.

How do Small Business Confidence, inflation data, and retail sales impact you?

- Trump's new term aims to boost small businesses by proposing a corporate tax cut, reducing costly regulations, and introducing universal tariffs (10-20%) to protect U.S. manufacturers, creating a more competitive environment for domestic small businesses.
- Recent decreases in the Producer Price Index (PPI) and the Consumer Price Index (CPI) indicate that inflationary pressures are easing. For consumers, this means slower price increases on goods and services, helping maintain purchasing power. Lower PPI also suggests that businesses face reduced input costs, which can lead to stable or lower retail prices, directly benefiting consumer budgets.
- The National Retail Federation (NRF) forecasts that U.S. holiday retail sales for 2024 will increase between 2.5% and 3.5% over the previous year, totaling between \$979.5 billion and \$989 billion. This growth is anticipated despite a shorter holiday shopping season, with only 26 days between Thanksgiving and Christmas.²



MARKET UPDATE³

Market Index Returns as of 11/08/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	4.69%	4.17%	27.17%	39.90%	10.27%	15.98%
NASDAQ	5.76%	6.08%	29.25%	43.72%	7.53%	18.81%
Dow Jones Industrial Average	4.61%	4.01%	18.50%	32.28%	8.78%	11.97%
Russell Mid-Cap	5.70%	5.06%	20.43%	39.05%	4.60%	11.81%
Russell 2000 (Small Cap)	8.61%	7.70%	19.72%	44.28%	1.07%	9.93%
MSCI EAFE (International)	0.07%	-5.24%	7.07%	17.83%	2.26%	6.05%
MSCI Emerging Markets	1.21%	-3.05%	13.30%	21.65%	-1.17%	3.78%
Bloomberg Barclays US Agg Bond	0.78%	-2.16%	2.20%	8.86%	-2.33%	0.04%
Bloomberg Barclays High Yield Corp.	0.74%	0.25%	8.28%	15.00%	2.99%	4.67%
Bloomberg Barclays Global Agg	0.22%	-3.40%	0.07%	7.30%	-4.40%	-1.37%



OBSERVATIONS

- The three major large-cap stock indices rose for the week after receiving the results of the November 5th election. The Nasdaq led the rise, increasing +5.76%. The S&P 500 and Dow Jones also rose on the week, posting returns of +4.69% and +4.61%, respectively.
- Small-cap stocks were the best performer for the week with a +8.61% return and outperformed their large cap counterparts. Mid-cap stocks also posted a positive return, rising +5.70% on the week.
- International stocks were only slightly positive due to a strong surge in the dollar. Developed markets increased by +0.07%. Emerging markets posted a return of +1.21%.
- Fixed income indices were also positive last week as bond yields moved lower. The U.S. Aggregate Bond Index rose by +0.78%, while the Global Aggregate Bond Index increased by +0.22%. The less interest rate sensitive High Yield Corporate Index finished up for the week with a +0.22% return.



BY THE NUMBERS

- **Election Fun Facts:** Here's a fun bit of political history: Our November voting tradition dates back to 1845, when Congress decided Election Day would be the first Tuesday after the first Monday in November. The timing wasn't random; it was chosen to fall just after the autumn harvest when farmers were free to travel but before winter conditions made journeys to the polls challenging. And the party symbols we see in every election cycle? We can thank 19th-century cartoonist Thomas Nast for that. In 1874, Nast lampooned the political landscape in Harper's Weekly, using an elephant to represent Republicans and a donkey for Democrats. His cartoons resonated, and soon people everywhere adopted these symbols to represent the parties, turning them into enduring icons of American politics.⁴
- **Retail Returns Come With an Economic Cost:** Consumers are increasingly engaging in return practices like bracketing—ordering multiple similar items, keeping one, and returning the rest—and wardrobing, where they buy an item, use it, and then return it. The 2023 Consumer Returns in the Retail Industry report, a collaboration between the National Retail Federation (NRF) and Apriss Retail, reveals that total retail returns in 2023 reached \$743 billion, or 14.5% of total sales. Of these returns, 13.7% were linked to fraud, leading to \$101 billion in losses. The soaring \$101 billion lost to returns in 2023 shows that what began as a consumer convenience has now morphed into a costly battleground for retailers. Numbers for this year could be even higher.⁵

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion, and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

NFIB Small Business Optimism Index: This index measures the level of confidence and outlook among small business owners regarding economic conditions, business growth, and operating environment. Published monthly by organizations like the National Federation of Independent Business (NFIB), the index tracks factors such as expectations for sales, hiring plans, inventory levels, and economic policy impact. A higher index score indicates greater optimism and positive sentiment about future business conditions, while a lower score signals caution or pessimism among small business owners.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 11/08/2024.

² [NRF 2024 Annual Retail Sales Forecast FAQ](#)

³ Data obtained from Morningstar as of 11/08/2024.

⁴ <https://elections.mywoodcounty.com/elections-office/election-fun-facts/>

⁵ [Customer Returns Report 2023 Final.pdf](#)