

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- In its final meeting of 2024, the Federal Open Market Committee (FOMC) at the Federal Reserve (Fed) decided to lower the target range for the benchmark federal funds rate by 25 bps to 4.25%-4.50%.
 - While the move brings total interest rate declines for this cutting cycle to 1.0%, market participants focused on a more cautionary tone to the statement and hawkish rhetoric in Chairman Powell's press conference signaling that the future path of rates will likely be more gradual, and less certain, than previously forecasted.
 - Major stock market indices fell sharply, and bond yields pushed higher in response to the meeting.
- Retail Sales rose 0.7% in November, narrowly edging out the consensus expectation of a 0.6% increase; prior months were also revised marginally higher.
 - "Core" retail sales, which strip out the volatile categories for autos, building materials, and gas, rose 0.2% last month, and if unchanged in December, will be up at a 4.2% annual rate in the fourth quarter vs. Q3.
- The final reading for real GDP growth in Q3 was revised higher to 3.1% from a prior estimate of 2.8%, beating the consensus expectation of a 2.8% annualized rate.
 - Upward revisions across most categories: consumer spending, business investment, net exports, home building, and government purchases more than offset downward revisions to inventories.
- The Personal Consumption Expenditure (PCE) Price Index, the Fed's preferred measure of inflation, increased 0.1% in November, less than the consensus expectation and the October reading, both 0.2%.
 - Headline PCE is up 2.4% in the last year, accelerating slightly from the year-over-year figure in October.
- Core PCE also rose 0.1% last month – less than October's increase and November's consensus expectation.
 - Core PCE is up 2.8% in the last year and remains unchanged since October.

How do these critical economic data points impact you?

- Although the Fed delivered a widely expected, 25-bp cut of the fed funds rate, the more hawkish tone to the statement, and certainly Powell's comments in the press conference, spooked markets a bit as investors recalibrated expectations for further cuts in 2025.
 - This meeting was accompanied by an updated Survey of Economic Projections (SEP), commonly referred to as the "Dot Plots," showing Fed expectations for GDP, employment, inflation, and rates in the years ahead.
 - Notably, Fed members pared back rate cut expectations for 2025, from four cuts forecast in September to just two cuts projected for next year.



A LOOK FORWARD¹

- With both Christmas and the first day of Hanukkah landing on Wednesday, economic data releases are particularly light this week. Markets will have shortened trading hours on Christmas Eve, the Nasdaq and NYSE will shut down at 1:00 pm and the bond market at 2:00 pm.
 - Both equity and fixed income markets will be closed on Christmas Day.

How does this week's slate of economic data impact you?

- Consumer confidence, durable-goods orders, new home sales, and advanced trade balance and inventories close out the week of economic data around the holidays.



MARKET UPDATE²

Market Index Returns as of 12/20/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-1.97%	3.23%	26.03%	26.67%	10.15%	14.78%
NASDAQ	-1.77%	7.77%	31.30%	31.74%	9.32%	17.92%
Dow Jones Industrial Average	-2.23%	1.63%	15.79%	16.67%	8.65%	10.76%
Russell Mid-Cap	-3.29%	1.60%	16.47%	17.32%	5.05%	10.16%
Russell 2000 (Small Cap)	-4.43%	0.82%	12.07%	12.70%	2.06%	7.48%
MSCI EAFE (International)	-3.58%	-9.20%	2.60%	4.12%	2.18%	4.58%
MSCI Emerging Markets	-3.12%	-8.34%	7.12%	9.94%	-1.24%	1.79%
Bloomberg Barclays US Agg Bond	-0.69%	-3.05%	1.27%	1.68%	-2.38%	-0.29%
Bloomberg Barclays High Yield Corp.	-0.81%	-0.02%	7.99%	8.49%	3.04%	4.21%
Bloomberg Barclays Global Agg	-0.94%	-4.87%	-1.45%	-0.96%	-4.40%	-1.79%



OBSERVATIONS

- All major indices around the world declined last week; stocks and bonds both domestically and internationally took a hit from the “hawkish cut” issued by the Fed in their final meeting of the year.
- Small-cap stocks declined the most (-4.43%), but Mid-caps (-3.29%), Developed International (-3.58%), and Emerging Markets (-3.12%) weren’t far behind.
- Domestic large-cap indexes: Nasdaq (-1.77%), S&P 500 (-1.97%), and DJIA (-2.23%) held up better than other areas of global equity markets.
- Fixed income indices were negative as bond yields moved higher. The U.S. Aggregate Bond Index (-0.69%), the Global Aggregate Bond Index (0.94%), and High Yield Corporate credit (-0.81%) all declined last week.



BY THE NUMBERS

- **College Football’s 12-Team Playoff Finally Arrived—and It Was a Complete Dud:** Ever since college football introduced a four-team playoff a decade ago, analysts and armchair quarterbacks had salivated over the prospect of adding more teams to the mix. When the sport announced an expanded postseason bracket for this season—with first-round games held on snowy campuses in December—fans were positively drooling. With each passing week of the 2024 season, as the field came into view, the hype cranked up. And then, the first games of the inaugural 12-team playoff finally arrived this weekend—and landed with all the fanfare of a pigskin with a puncture. It wasn’t just that the four first-round games produced exactly zero upsets. It’s that every one of them also degenerated into a one-sided blowout. Not one of the visiting teams managed to get within 10 points of their higher-ranked opponents. The average margin of victory was a whopping 19 points. Forget about a 12-team playoff. This parade of snoozers was enough to leave fans pining for the days of the BCS Championship.³
- **Why BlackRock is shelling out \$12bn for private credit shop HPS:** HPS Investment Partners could hardly be more different than its suitor, BlackRock. Whereas BlackRock, a \$11.5tn powerhouse, is best known for investing clients’ funds across huge swaths of public markets, HPS has earned a windfall on targeted bets in the private lending sector. BlackRock’s more than \$12bn deal for HPS earlier this month comes as the world’s biggest asset manager is seeking to compete with groups such as Blackstone and Apollo, which are already deeply entrenched in a market widely seen as one of the next major battlegrounds in finance. BlackRock’s planned acquisition of HPS, which forms a part of its near \$30bn private markets M&A spree this year, could quickly shift the power balance in private credit, where pension funds, insurers and other investors finance everything from corporate acquisitions to consumer loans — an area that was previously dominated by the traditional banking sector.⁴

Economic Definitions

Durable-goods Orders: This concept tracks the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of house sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

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

Federal Reserve Open Market Committee (FOMC): The FOMC is a group within the Federal Reserve that makes decisions about U.S. monetary policy. It sets key policies such as interest rates, and the money supply, to promote stable prices, maximum employment, and economic growth.

Personal Consumption Expenditures (PCE) (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

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.

GDP QoQ: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100).

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

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¹ Data obtained from Bloomberg as of 12/20/2024.

² Data obtained from Morningstar as of 12/20/2024.

³ [College Football's 12-Team Playoff Finally Arrived—and It Was a Complete Dud](#)

⁴ [Why BlackRock is shelling out \\$12bn for private credit shop HPS - London Herald](#)