



# PRECISION

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## December Market Update

Pending elections, “higher” interest rates, and labor market questions, there was a bit of uncertainty heading into November.

But that uncertainty was short-lived. The presidential election was settled and the November Fed meeting was in the books by early November. And November was a fantastic month for long-term investors!

With the presidential election out of the way and market sentiment rocketing, now is the perfect time to keep you informed about the latest developments as we head into the final month of 2024.

### Major Stock Indexes

November was good for long-term investors in U.S. stocks, with a continuing bid in U.S. equities leading up to and continuing after the presidential election. That makes it six out of the last seven positive months for the S&P 500 and eleven out of the previous thirteen — I think we will take that!

**Overall, for the month of November, the S&P 500 added [5.73%](#), the Nasdaq 100 tacked on [5.23%](#), and the Dow Jones Industrial Average led the way — higher by [7.54%](#).**

### Federal Reserve (Fed) Rate Decision

November kicked off with the Fed policy meeting on November 7th, as the Fed cut the overnight lending rate by 25 basis points in line with market expectations, with the next day’s presidential election on everyone’s mind.

The recent decision follows the central bank’s significant 50 basis point cut in September and brings the current target lending rate range to 4.50% - 4.75%.

The vote for the rate cut was unanimous, with this action aiming to support the labor market. Additional data is needed for the Fed to assess the current state of inflation to determine policy action going forward.

As of market close on November 29th, markets favored another 25-basis-point cut (66% probability) at the December 18th meeting and a 34% chance of no change in rates, according to the CME FedWatch Tool.

### Treasury Yields Fall

The widely monitored 10-year Treasury Note Yield declined moderately in November after rising in the previous month. It closed the month at a yield near [4.177%](#) versus October’s closing level near 4.285%, a decline of just over 10 basis points month-over-month.

The slight dip in rates is good news for sidelined prospective mortgage borrowers — and great news for long-term investors in U.S. equities.

### Cooler Jobs Market

November kicked off with the monthly labor market data on the first of the month. The October non-farm payroll data, released in November, showed only [12,000 jobs](#) were created, and the job totals for August and September were revised downward by a combined 112,000. This was not encouraging for the labor market, but it may be viewed as good news for those anticipating interest rate cuts.

Although the reported job creation figure was significantly lower than expectations, it seems that the actual expectations were much more subdued than the numbers would imply. The low number of jobs created for the month, the weakest since 2020, was heavily anticipated due to the impact of Hurricanes Helene and Milton, which had a considerable effect on the labor market.

Despite the disappointing data, major U.S. equity indexes performed well on the day of the report's release, with the Nasdaq, Dow, and S&P 500 all showing gains on the daily trading session. November jobs data will be released on December 8th.

## **Inflation Rather Mixed in November**

According to metrics released at the end of November, inflation remained mostly unchanged in October.

Consumer Price Index (CPI): Data showed a monthly increase of [0.2%](#) for October, which matched consensus expectations. This resulted in a year-over-year inflation rate of 2.6%, slightly higher than the previous month's reading of 2.4%. While the numbers align with expectations, they indicate a persistent inflationary environment.

Core CPI, which excludes food and energy prices, also rose as expected, increasing by 0.3% for the month and maintaining an annual rate of 3.3%.

A significant factor contributing to the monthly rise in inflation was shelter costs (again!), which accounted for more than half of the increase. In October, shelter prices rose by 0.4% from the previous month and experienced an annual increase of 4.9%. Despite an overall stabilizing inflation environment, shelter prices remain high.

Overall, the CPI data can be interpreted as aligning with expectations; however, it also demonstrates some stubbornness, as it showed a rise from 2.4% in September to 2.6% in October.

Major U.S. stock indexes experienced slight gains in the morning following the data release amid reinforced expectations for a 25-basis-point decrease at the December meeting. On the day of the data release, the likelihood of such a rate cut rose to approximately 82%.

Producer Price Index (PPI): The day after the Consumer Price Index (CPI) was released, wholesale prices showed a rise of [0.2%](#) in October, matching Dow Jones estimates. Similar to the Consumer Price Index, this wholesale inflation data came in as expected; however, it still marked an increase from the previous month's reading.

November Inflation Verdict: Inflation is in line with expectations, but concerns about rising prices persist for many. Shelter costs continue to be stubborn. The general consensus is that the most recent inflation readings are somewhat supportive of a rate cut in December.

## **Consumer Health**

Consumer confidence surged in November, fueled by a swift and decisive election outcome and indicating expectations of easier times ahead for consumers. The index rose to 111.7, its highest level since July 2023 and a [16-month high](#).

[Retail sales](#) beat estimates in October (November data release), while September retail sales data was revised sharply higher. The consumer has

remained remarkably resilient throughout the last several years, and it appears that sentiment is growing.

Early Black Friday data shows a [3.4% annual rise](#) in brick-and-mortar and online spending. This is a trend we have gotten used to in recent years, and we will see what Cyber Monday data looks like once it becomes available.

We, the consumer, drive the economy at the end of the day! It is easy to lose sight of this fact with so many headlines and market noise. The consumer has been unbelievably resilient for a prolonged period.

## Relaxed Markets

Short-term market volatility subsided impressively in November, with the CBOE S&P 500 Volatility Index falling to levels not seen since July of this year.

When S&P 500 volatility decreases, it indicates a reduction of investor fear in the marketplace, leading to a decline in the price of S&P 500 put options. Many portfolio managers use these put options to hedge against market risk. And throughout November, the demand for them was weak, suggesting increased market confidence.

Some investors also monitor the CNN Fear and Greed Index to assess overall investor sentiment. While short-term market sentiment isn't a primary concern for most long-term investors, it can be beneficial for those who utilize dollar-cost averaging strategies.

## Looking Ahead

As we approach the end of the fiscal year, remember to consult with your tax advisor should you need to make any year-end moves in your portfolio to ensure optimal tax treatment. Long-term investing continues to be the ticket.

As always, if we can be of service in any way, please email or call us. We are always here as a resource for you.

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