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INVESTMENT MANAGERS

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US Stocks rallied sharply in November while foreign stocks slipped. Large cap stocks in the S&P 500 Index were up 5.9% for the month, bringing their year-to-date gain to 28.1%. Small cap stocks in the Russell 2000 soared 11.0% resulting in a return of 21.6% so far in 2024. The MSCI EAFE Index of developed market international stocks were down slightly -.06% in November and are up just 6.2% year-to-date. Emerging market stocks were also lower, down -3.6% for the month and are now up 7.6% year-to-date. The yield on the 10-year Treasury bond fell a little in November so the Barclays US Aggregate Bond Index gained 1.1% during the month and is now up 2.9% year-to-date.

The GDP growth rate for the third quarter of 2024 was estimated to be 2.8%, after a 3% growth rate in the second quarter. Increases in consumer spending, exports, federal government spending and nonresidential fixed investment were all reflected in the growth rate. Imports also increased which are reflected as a subtraction from growth.

Corporate earnings reports for the third quarter for stocks in the S&P 500 were mostly on track with the second quarter and are running about 6% higher than a year ago. The revenue and earning leaders continue to be the big tech companies benefiting from a wave in AI spending. Q4 and 2025 are anticipated to show solid growth.

The inflation rate remains above the Fed's 2% target. The Fed has said for months that their decision to cut rates will be data dependent. So far this year, the Fed has cut rates twice for a total of a 0.75 decrease in the Fed Funds rate. Unemployment remains at a relatively low level, however it has been increasing gradually for several months. Even though the inflation target hasn't been met, the Fed believes the rate is restrictive enough to bring inflation down to 2% and there is room for further rate reductions, possibly as soon as this month. A weakening employment picture is providing support for that course of action. Rate cuts are also expected to continue into 2025 with a terminal rate of about 3.5% compared to the current rate just above 4.5%. If inflation heats up again, we expect the Fed to pause their cutting cycle.

The market has welcomed the Fed rate cuts so far since the economy has continued to show reasonable growth. Rate cuts are thought to have a stimulative effect on the economy, helping companies to grow earnings. As long as we don't see a resurgence in inflation, or a slowdown in economic growth, stocks might continue to grow. Since stocks are trading at relatively expensive levels, any disruption to the current trends may well result in a pullback.

We continue to encourage investors not to try and time the market by trading in and out and instead invest according to risk tolerance. After a strong performance in stocks over the past 2 years, your stock weighting may have increased in your portfolio. If accounts have risen above risk tolerance targets, now may be a good time to rebalance and lock in some gains. If you have questions about the strategy for your account, please contact your advisor.

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