

December 16, 2024

Weekly Viewpoint

Fed Up

Performance for Week Ending 12/13/2024

The Dow Jones Industrial Average (Dow) fell 1.8%, the Standard & Poor's 500 Index (S&P 500) lost 0.6% and the Nasdaq Composite Index (Nasdaq) added 0.3%. Sector breadth was negative with nine of the 11 S&P sector groups closing lower. The communication services sector (+2.4%) was the best performer while materials (-2.9%) was the weakest.

Index*	Closing Price 12/13/2024	Percentage Change for Week Ending 12/13/2024	Year-to-Date Percentage Change Through 12/13/2024
Dow	43828.06	-1.8%	+16.3%
S&P 500	6051.09	-0.6%	+26.9%
Nasdaq	19926.72	+0.3%	+32.7%

Market Observations: 12/9/2024 – 12/13/2024

After three straight weekly gains, the S&P 500 finished the week lower reflecting caution ahead of this week's FOMC meeting. While Bloomberg's World Interest Rate Probability tool shows a rate cut is all but a done deal (97% probability), investors also expect the Federal Reserve (Fed) to signal that the pace of rate cuts will slow in 2025. Also weighing on investor sentiment was a backup in Treasury yields and a mixed batch of economic data.

Outlook: More Room to Run: In recent weeks the election outcome has been a driving force behind the market's gains. However, over the intermediate- to longer-term, fundamentals—the economy, earnings, and interest rates—drive stock prices. The good news is that the macro environment should remain supportive in the coming quarters. The U.S. economy remains on firm footing, with minimal risk of a near-term recession. The Fed is easing and, while the path forward could prove uneven, rates are likely to drift lower over the next year. Importantly, the earnings growth outlook remains strong. Consensus expectations from Bloomberg for S&P 500 earnings growth are 12.8% and 13.4% in 2025 and 2026, respectively. The combination of Fed easing and brisk earnings growth creates a favorable backdrop for risk assets and should drive the bull market. Still, with

valuations elevated, earnings growth will likely drive performance, meaning that gains in the year ahead may be more modest compared to the past two years.

Economic Roundup: The focal point last week was the November Consumer Price Index (CPI) report. According to the Labor Department, consumer prices rose at a firm pace that fell in line with expectations, and in turn, solidified expectations for the Fed to cut interest rates at this week's meeting. Meanwhile, a consumer survey from the New York Fed showed that a growing number of Americans now expect their financial situation to improve over the next year, with the share expressing optimism climbing to its highest level since immediately before COVID-19 struck the U.S. The mood also brightened for small businesses, who expect a more favorable economic policy under the new administration. The National Federation of Independent Business said its small-business optimism index jumped to the highest level since June 2021. Lastly, a fourth-quarter Business Roundtable survey of the CEOs of 200 of the largest U.S. companies showed that top executives were the most bullish they've been in two years.

The Week Ahead: All eyes will be on the Fed meeting, with its decision on rates due out Wednesday at 2:00p.m. ET. The Fed is expected to cut rates by 25 basis points and signal that the pace of rate cuts will likely slow in the new year. The FOMC will also release a new Summary of Economic Projections. On the data front, reports of interest include the S&P manufacturing and services Purchasing Managers Indexes, November retail sales, industrial production, housing starts, existing home sales, and the core personal consumption expenditures inflation data. The earnings calendar picks up a bit this week, with 15 members of the S&P 500 scheduled to release results including Micron Technology, FedEx, and Nike.

Definitions

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

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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 Feb. 5, 1971.

This material contains opinions of the author, but not necessarily those of Guggenheim Partners, LLC, or its subsidiaries. The opinions contained herein are subject to change without notice. Forward-looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable, but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information. No part of this material may be reproduced or referred to in any form, without express written permission of Guggenheim Partners, LLC.

Investing involves risk, including the possible loss of principal.

Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, and GS GAMMA Advisors, LLC. Securities offered through Guggenheim Funds Distributors, LLC, an affiliate of Guggenheim, SI, GFIA and GPIM.

©2024 Guggenheim Investments. All rights reserved. #63401