

December 2, 2024

Weekly Viewpoint

S&P 500 Posts Strongest Monthly Gain of the Year

Performance for Week Ending 11/29/2024

The Dow Jones Industrial Average (Dow) rose 1.4%, the Standard & Poor's 500 Index (S&P 500) gained 1.1% and the Nasdaq Composite Index (NASDAQ) added 1.1%. Sector breadth was positive with 10 of the 11 S&P sectors closing higher. Consumer Discretionary (+2.3%) was the best performer followed by Healthcare (+2.1%) and Real Estate (+2.0). On the flipside, the Energy sector (-2.0%) was the sole loser.

Index*	Closing Price 11/29/2024	Percentage Change for Week Ending 11/29/2024	Year-to-Date Percentage Change Through 11/29/2024
Dow	44910.65	+1.4%	+19.2%
S&P 500	6032.38	+1.1%	+26.5%
Nasdaq	19218.17	+1.1%	+28.0%

Market Observations: 11/25/2024 – 11/29/2024

The S&P 500 closed the week at an all-time high and finished November up 5.7% as investors embraced the election outcome and rotated into stocks that could benefit from a reaccelerating economy: Consumer Discretionary, Financials, and Industrials stocks led the charge during the month. Last week, the markets applauded President-elect Donald Trump's nomination of Scott Bessent as the next US Treasury secretary. Bessent is viewed as a calm, pragmatic thinker who has been vocal about reducing the deficit. The Treasury market rallied on the announcement with the yield on the 10-year Treasury closing the week at 4.17%, down from 4.40% on the prior Friday.

Q3 Earnings – Winding Down: With over 95 percent of the S&P 500 members having reported results, third quarter earnings season will come to an end in the weeks ahead. Through Friday, 485 members of the S&P 500 have released fiscal quarter results with just over 75% beating expectations. Aggregate earnings for this group are currently up 8.2%, solidly ahead of the 5% pace forecast at the start of earnings season. On the sector level, communications, technology, consumer discretionary, and health care were the biggest sources

of the S&P 500's earnings growth, which more than offset drags from the energy, materials, and industrials sectors. Full year growth rate expectations according to the Bloomberg consensus are 9.8% this year, followed by 12.9% in 2025 and 13.0% in 2026.

FOMC Meeting Minutes: The minutes from the November Federal Open Market Committee (FOMC) meeting showed there was broad support among Fed officials for a careful approach to future interest-rate cuts as the economy remains solid and inflation slowly cools. "Participants anticipated that if the data came in about as expected, with inflation continuing to move down sustainably to 2% and the economy remaining near maximum employment, it would likely be appropriate to move gradually toward a more neutral stance of policy over time," according to the minutes. The minutes showed that some officials thought the Fed could pause rate cuts and hold borrowing costs at a restrictive level if inflation remains elevated. Some noted reductions could be accelerated if the economy or labor market deteriorates. These comments seemed to echo Fed Chair Powell's recent remarks that the FOMC does not need to be "in a hurry to lower rates" and that the strong economy allows the FOMC to move "carefully."

Fed Speak: Chicago Fed President Austan Goolsbee said he foresees the central bank continuing to lower rates toward a stance that neither restricts nor promotes economic activity. "Barring some convincing evidence of overheating, I don't see the case for not continuing to have the fed funds rate decline," Goolsbee said in an appearance on Fox Business. Meanwhile, Minneapolis Fed President Neel Kashkari said it is still appropriate to consider another interest-rate cut at the central bank's December meeting. "It's still a reasonable consideration," Kashkari said Monday on Bloomberg TV in response to a question about whether policymakers should reduce borrowing costs by a quarter point at their last meeting of the year. "Right now, knowing what I know today, still considering a 25-basis-point cut in December — it's a reasonable debate for us to have." Kashkari said the economy's resilience in the face of higher interest rates suggests that the neutral rate, where policy neither weighs on nor stimulates growth, may be higher now.

Economic Roundup: On the inflation front, the Fed's preferred measure of underlying inflation accelerated in October from a year ago, likely explaining why policymakers have recently taken a more cautious approach to lowering interest rates. The so-called core personal consumption expenditures price index, which strips out volatile food and energy items, increased 2.8% on a year-over-year basis from 2.7% in September. Meanwhile, consumer confidence increased in November to the highest level in more than a year on optimism about the economy and labor market in the wake of Donald Trump's election victory. The Conference Board's gauge of confidence rose 2.1 points to 111.7. The figure was in line with the median estimate in a Bloomberg survey of economists. On the housing front, sales of new homes slumped in October to the lowest in almost two years, as two hurricanes hit the South and affordability challenges continued to weigh on buyers. The median sale price of a new home increased to \$437,300 in October, the highest in 14 months. Separately, Freddie Mac reported that mortgage rates in the US declined, offering a potential bright spot for would-be homebuyers. The average rate for a 30-year fixed loan fell to 6.81% from 6.84% during the prior week.

The Week Ahead: The focal point of the data calendar will be the November jobs data on Friday. According to Bloomberg, nonfarm payrolls are expected to rise by 200,000 following the weather-impacted 12,000 gain in October. The unemployment rate is forecast to rise to 4.2% from 4.1% and the hourly earnings growth rate is seen inching lower to 0.3% from 0.4%. Ahead of the Friday report, other labor market data due out include the Job Openings and Labor Turnover Survey (JOLTS) report on Tuesday and the ADP Employment Change report on Wednesday. Other economic reports of interest include the ISM Manufacturing Index on Monday and the ISM Services Index on Wednesday, with employment and prices components especially in focus. On Friday, the University of Michigan's consumer sentiment will be closely watched. The Fed speaking calendar will be busy with ten speeches scheduled during the week including Fed Chair Powell on Wednesday. Also on Wednesday, the Fed will release the Beige Book report. The earnings calendar continues to wind down with just 12 members of the S&P 500 scheduled to release results.

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 February 5, 1971.

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