

December 9, 2024

# Weekly Viewpoint

## The S&P 500 Extends its Record Breaking Run

### Performance for Week Ending 12/6/2024

The Dow Jones Industrial Average (Dow) fell 0.6%, the Standard & Poor's 500 Index (S&P 500) gained 1.0% and the Nasdaq Composite Index (NASDAQ) added 3.3%. Sector breadth was negative with 8 of the 11 S&P sector groups closing lower. The Consumer Discretionary sector (+5.9%) was the best performer while Energy (-4.6%) was the weakest.

Index*	Closing Price 12/6/2024	Percentage Change for Week Ending 12/6/2024	Year-to-Date Percentage Change Through 12/6/2024
Dow	44642.52	-0.6%	+18.5%
S&P 500	6090.27	+1.0%	+27.7%
Nasdaq	19859.77	+3.3%	+32.3%

### Market Observations: 12/2/2024 – 12/6/2024

The S&P 500 finished higher for a third straight week and posted a fresh all-time closing high on Friday. Driving the gains was the solid start to the holiday shopping season, a supportive batch of economic data, and growing confidence the Fed will continue to loosen monetary policy. Capping off the week was the November payroll report that showed the economy added 227,000 jobs while the unemployment rate inched up to 4.2% from 4.1%. Investors were laser focused on the report as it could determine whether the Fed will cut rates at its meeting later this month. Following the report, the probability of a 25-basis point rate cut at the meeting jumped to 85% versus around 70% before the jobs data was released, according to Bloomberg's World Interest Rate Probability tool.

**Fed's Beige Book:** Last week the Fed released its Beige Book update. The report—which includes anecdotes and commentary about economic conditions from businesses and other contacts in each of the Fed's 12 district—said economic activity was flat in most parts of the US since early September. More than half of the central bank's 12 districts reported “slight or modest” growth in employment, while most districts

said prices rose at a “slight or modest pace,” according to the report. Multiple districts also noted slowing wage growth.

Reports on consumer spending were mixed, with some districts noting shifts in the composition of purchases, mostly toward less expensive alternatives.” The report also contained around 15 references to the November elections in the US as a source of uncertainty or a factor that was causing consumers and firms to delay investing, hiring, and purchasing decisions.

**Fed Speak:** Speaking at a NY Times event, Fed Chair Jay Powell said the economy is stronger than it had appeared in September when the central bank began cutting interest rates, allowing policymakers to potentially be more cautious in lowering rates further. "We can afford to be a little more cautious as we try to find neutral," Powell said at the event. His remarks are likely his last before the quiet period for Fed officials kicks in ahead of the December 17-18 meeting. Earlier in the week, Fed Governor Chris Waller said he was "leaning toward" a cut at the upcoming meeting. Atlanta Fed President Raphael Bostic said he's undecided on whether an interest-rate cut is needed this month, but still believes officials should continue lowering rates over the coming months. Fed Governor Adriana Kugler expressed optimism about the trajectory of inflation and broader economic conditions, while underscoring the central bank's policy decisions are not on a preset course. San Francisco Fed President Mary Daly said an interest-rate cut this month isn't certain but remains on the table for policymakers. St. Louis Fed President Alberto Musalem said it may be time for policymakers to slow the pace of interest-rate cuts amid higher than desired inflation and declining concerns over the labor market. Musalem said it will likely be appropriate to keep lowering rates over time, but backed a patient approach, saying the risks of cutting rates too quickly are greater than those of easing too little.

**Economic Roundup:** It was a busy week for labor market data. Besides the monthly payroll report, the Labor Department reported that applications for unemployment benefits rose to the highest in a month during the week that included the Thanksgiving holiday. Initial claims increased by 9,000 to 224,000. The 4-week moving average, which helps smooth week to week volatility, rose to 218,300 but remained near the lowest level in 6-months. Continuing claims, a proxy for the number of people receiving benefits, dropped to 1.87 million. Meanwhile, US job openings picked up in October while layoffs eased, suggesting demand for workers is stabilizing. Available positions increased to 7.74 million from a revised 7.37 million reading in September, according to JOLTS report.

Lastly, private payrolls rose by 146,000 last month after an October increase that was revised down to 184,000, according to ADP Research Institute data. The report showed employment growth was mixed among industries. Education and health care along with construction led gains, while manufacturing employment dropped by the most in over a year. Hiring in leisure and financial services was also soft. On the manufacturing front, activity shrank in November by less than forecast as a gauge of new orders moved into expansion territory for the first time in eight months and indicated business confidence is gradually improving. The Institute for Supply Management's (ISM) factory gauge rose 1.9 points, the most since March, to 48.4,

the highest level since June. In a separate report, the ISM reported that services activity expanded in November at the slowest pace in three months as demand and employment growth slowed, indicating the largest part of the economy lost some momentum.

**The Week Ahead:** Inflation will be the focal point of this week's data calendar with all eyes on the consumer price index (CPI) report on Wednesday, the last one ahead of the December 17-18 Fed meeting. The producer price index (PPI) report will follow on Thursday and the import & export price indices will be released on Friday. The Fed speaking calendar will be nonexistent as Fed members have entered the ten-day quiet period ahead of the upcoming Fed meeting. The earnings calendar continues to wind down with just six members of the S&P 500 scheduled to release results including Oracle, Adobe, and Costco.

## 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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