Your Weekly Investment
Insights
November 25, 2024

VERDENCE CAPITAL ADVISORS

Key **Takeaways:**

- Happy Thanksgiving!
- Be thankful for strong equity returns.
- Returns in equities are broadening out for investors.
- Fed eases after four years.
- Be thankful; but remain cautious.

Enjoy a Cheaper Thanksgiving Meal for the Second Straight Year!

We would like to wish everyone a Happy Thanksgiving this week! As the furor of the holiday season is quickly approaching, we hope that you take time to relax and enjoy this time with family and friends. We thought we would offer some festive facts for your Thanksgiving table. While inflation remains stubborn in select areas (e.g. services, housing) we can be thankful that the cost of Thanksgiving dinner is lower for the second consecutive year!

The American Farm Bureau releases a survey each year that calculates the average cost of a Thanksgiving dinner for 10 people. Compared to last year, families can expect to spend ~5% less on their meals ($58.08 vs. $61.17). The centerpiece for most, the turkey, will cost ~6% less than last year. Farmers raised ~205 million turkeys in 2024, which is the lowest level since 1985. Generally, fewer turkeys would lead to an increase in price, but demand for turkey is lower. The USDA estimates households will purchase a turkey weighing 13.9 pounds, a pound lower than last year. This estimate is based on the retail-weight of turkeys purchased.

The survey analyzes grocery bills on Thanksgiving staples each year. Seven of the 11 items they analyze came in lower than last year, while four items – dinner rolls, fresh cranberries, whipping cream, and cubed stuffing – were higher. In this weekly, we also offer some things we can be thankful for from an asset class and economic perspective.

- **Equities continue to climb:** The S&P 500 is on track to post its second straight year of 20%+ gains. Additionally, it would be the fourth time in the past six years that the S&P 500 posted a 20%+ gain.
- **Returns broaden out:** While the S&P 500 continues to be concentrated in the “Magnificent 7” (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla), all major styles and market caps are up double digits this year.
- **U.S. economy defies expectations:** The U.S. economy is expected to grow 2.7% this year. At the start of the year, the odds of a recession were 50-50 according to Bloomberg Finance.
- **Fed starts easing cycle:** The Fed cut interest rates for the first time since 2020. The futures market is pricing in a 25 bps rate cut in December and two - three 25 bps rate cuts next year.
- **Consumer expected to light up the holiday shopping season**: The National Retail Federation is expecting holiday shopping to reach a record high this year. This should be good for retailers which have been challenged this year.

The Bottom Line:

In the spirit of Thanksgiving, it is a good time to look back at many things to be thankful for. As we prepare for next year, we remain cautiously optimistic. Many reasons that we saw a change in power in the White House are due to the economic challenges that have not disappeared. Consumers are stretched, inflation is sticky, Government debt is burdensome and growth is slowing. At this point we will be thankful for this year and remain hopeful for next year!

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Past performance is not indicative of future returns.

Weekly Economic Recap –

Housing Data Shows Mixed Signs

Confidence among homebuilders increased to a seven month high in November according to the NAHB Housing Index. Builders cited increased sales expectations and optimism in an easing of regulatory burdens with the new Presidential administration. The prospective buyer traffic index reached the highest level since April 2024, while the six-month sales outlook increased to the highest level since April 2022.

Housing starts declined in October to the slowest pace in three months on weather-related disturbances. Construction activity in the South, which makes up the largest share of homebuilding in the country, fell by the most since July as hurricanes put off projects. Multifamily housing starts increased for the first time in three months.

Sales of previously owned homes increased by the most since February to an annualized rate of 3.96 million. A sharp drop in mortgage rates brought buyers back into the market. Supply is still a key issue, putting upward pressure on home prices, as the median selling price increased 4% from the year before ($407,200).

Initial claims for unemployment fell to the lowest level since April last week (213K). Continuing claims, which run a week behind the headline number, increased to 1.91 million, a three-year high, relating to runoff effects from the recent strike at Boeing.

The Leading Economic Indicator Index fell for the 32nd time in the last 34 months. The largest negative contributor to the decrease came from manufacturing new orders. Manufacturing hours worked fell by the most since December 2023, also keeping downward pressure on the index.

Key Takeaways:

- Homebuilder confidence increase to seven month high.
- Sales of existing homes increase by most since February.
- Leading indicators remain under pressure.
- Equities rally driven by economically sensitive areas.
- Fixed income higher as investors weigh state of US economy.
- Commodities rally driven by Russia/Ukraine tensions.

Weekly Market Recap –

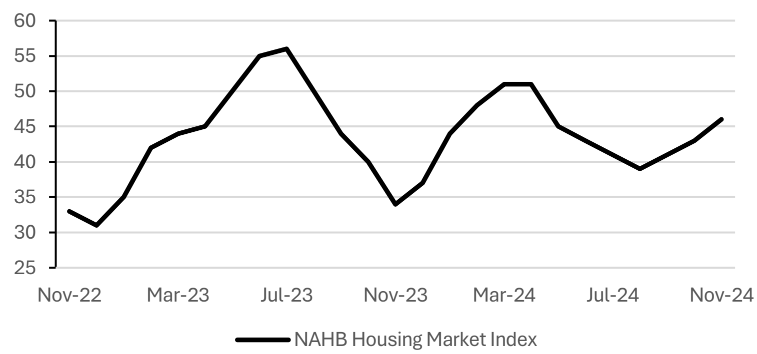
Investors Flee Mega-Cap Tech for Economically Sensitive Areas of the Market

Equities: The MSCI AC World Index was higher for the second time in three weeks. In the U.S., all major averages were higher and the Dow Jones Industrial Average finished the week at a fresh record high. Small-caps, howerver, as tracked by the Russell 2000, led performance in the U.S. Investors piled into more economically sensitive areas of the market and out of technology names.

Fixed Income: The Bloomberg Aggregate Index was higher for the second time in three weeks. Mixed economic data and Fed commentary led investors to assess the state of the U.S. economy. All areas of fixed inocme were higher last week led by municipal bonds and EM debt (USD).

Commodities/FX: The Bloomberg Commodity Index was higher for the second time in three weeks and by the most since April. Crude oil prices were higher by the most since October as the Ukraine war intensified, calling into question global supply. Gold prices were higher by the most since April 2020 as investors flocked to the safe-haven asset after an escalation in the Russia/Ukraine war.

Homebuilder Confidence Climbs to Seven-Month High



Footnotes: Data is as of November 2024.
Data Source: FactSet Research Systems, Verdence Capital Advisors.

Equities Rally on Hopes for Growth

U.S. Equities	Current	1WK	1MO	3MO	1YR	YTD
Dow Jones Industrial Average	44,297	2.0%	3.3%	9.3%	28.0%	19.5%
S&P 500	5,969	1.7%	2.1%	7.5%	32.8%	26.7%
Russell 1000 Growth	3,968	1.7%	2.5%	8.6%	36.4%	30.8%
Russell 1000 Value	1,943	2.5%	3.4%	8.3%	29.8%	21.5%
Russell Midcap	3,773	3.7%	6.5%	11.8%	34.2%	22.9%
Russell 2000	2,407	4.5%	8.0%	12.3%	35.9%	20.1%
Nasdaq	19,004	1.8%	2.4%	8.1%	34.2%	27.4%

International Equities	Current	1WK	1MO	3MO	1YR	YTD
MSCI AC World (USD)	854	1.4%	0.4%	4.1%	25.7%	19.2%
MSCI EAFE (USD)	2,274	0.0%	-4.0%	-5.3%	11.1%	4.3%
MSCI Europe ex UK (USD)	2,479	-0.5%	-6.4%	-8.4%	7.4%	0.8%
MSCI Japan (USD)	3,849	-0.9%	-1.1%	-4.4%	11.7%	5.9%
MSCI UK (USD)	1,231	1.8%	-3.7%	-4.2%	15.3%	8.6%
MSCI EM (USD)	1,087	0.2%	-4.9%	-1.0%	13.2%	8.5%
MSCI Asia ex Japan (USD)	706	0.1%	-5.0%	0.5%	16.0%	12.2%

Fixed Income	Current Yield	1WK	1MO	3MO	1YR	YTD
U.S. Aggregate	4.8%	0.2%	-0.7%	-1.6%	6.2%	1.5%
U.S. Govt/Credit	4.7%	0.1%	-0.8%	-1.6%	6.0%	1.4%
U.S. 10 Year Treasury	4.4%	0.3%	-1.4%	-3.4%	4.0%	-0.9%
U.S. TIPS (1-10YR)	4.5%	0.2%	-0.6%	0.0%	6.0%	3.4%
U.S. High Yield	7.2%	0.3%	0.6%	2.3%	13.3%	8.2%
EM Bonds (USD)	6.6%	0.3%	0.1%	0.8%	12.5%	6.8%
Municipal Bonds	3.6%	0.2%	0.4%	0.5%	5.7%	1.7%

Commodities	Current	1WK	1MO	3MO	1YR	YTD
Bloomberg Commodity Index	238	3.1%	-0.7%	5.2%	2.0%	5.1%
Crude Oil (USD/bbl)	$69.3	0.2%	-2.5%	-5.6%	-6.3%	-2.4%
Gold ($/oz)	$2,716.2	0.8%	-4.2%	4.8%	31.6%	27.6%
Copper	$408.6	-0.3%	-6.1%	-2.3%	8.4%	5.5%
Wheat	$564.8	-2.6%	-6.5%	0.4%	-14.9%	-18.9%
U.S. Dollar	108	0.7%	2.6%	6.2%	3.5%	5.6%
VIX Index	15.2	-5.6%	-16.3%	-13.2%	18.6%	22.4%

Footnotes: Data is as of November 22, 2024.
Data Source: Bloomberg Finance LP, Verdence Capital Advisors.

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