



WEEK OF DECEMBER 23, 2024

Market Update

Retail sales growth exceeded economist estimates in November. Stocks and bonds sold off as the Federal Reserve (Fed) issued guidance for higher-than-expected rates in 2025 and beyond. Data will be light this week because of the holidays; we expect reports on consumer confidence and durable goods.

Quick Hits

1. **Report releases:** Retail sales growth beat economist estimates in November.
2. **Financial market data:** Stocks and bonds sold off as the Fed issued guidance for higher-than-expected rates in 2025 and beyond.
3. **Looking ahead:** Data will be light this week because of the holidays; we expect reports on consumer confidence and durable goods.

Report Releases: December 16–20, 2024

Retail Sales November (Tuesday)

Retail sales exceeded analyst estimates in November, marking three consecutive months with strong sales growth.

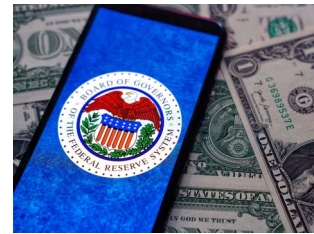
- Expected/prior month retail sales monthly change: +0.6%/+0.5%
- Actual retail sales monthly change: +0.7%



Federal Open Market Committee (FOMC) Rate Decision December (Wednesday)

In a move that was largely expected by economists and investors, the Fed lowered the range of the federal funds rate 25 basis points (bps) after its December meeting.

- Expected/prior federal funds rate upper limit: 4.50%/4.75%
- Actual federal funds rate upper limit: 4.50%



Existing Home Sales November (Thursday)

The pace of existing home sales rose for the second consecutive month. Although sales growth was solid, the overall pace of sales remained relatively muted on a historical basis.

- Expected/prior month existing home sales change: +3.2%/+3.4%
- Actual existing home sales change: +4.8%



Personal Income and Spending November (Friday)

Personal income and spending growth came in slightly below economist estimates; nonetheless, this was a solid month for income and spending growth.

- Expected/prior personal income monthly change: +0.4%/+0.6%
- Actual personal income change: +0.3%
- Expected/prior personal spending monthly change: +0.5%/+0.4%
- Actual personal spending change: +0.4%



>> The Takeaway

- Retail sales beat expectations but personal income and spending missed estimates in November.
- As expected, the Fed cut rates 0.25 percent, bringing its policy range to 4.25 percent–4.5 percent. The central bank also updated its projections for future cuts.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-1.97%	-1.60%	26.03%	27.97%
Nasdaq Composite	-1.77%	1.89%	31.30%	33.40%
DJIA	-2.23%	-4.47%	15.79%	17.68%
MSCI EAFE	-3.58%	-1.22%	3.11%	4.61%
MSCI Emerging Markets	-3.12%	0.36%	7.65%	10.60%
Russell 2000	-4.43%	-7.82%	12.07%	14.65%

Source: Bloomberg, as of December 20, 2024

Global markets took a risk-off stance, with stocks and bonds moving lower after the FOMC meeting on Wednesday. Although the rate cut of 0.25 percent was unsurprising, the Fed's projections for two rate cuts next year and a higher long-term trajectory for rates seemed to catch markets off guard. As a result, riskier areas, such as small-caps and emerging markets, were caught on their heels as variable rate debt and currency softness continued to weigh on each, respectively.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.23%	1.27%	1.62%
U.S. Treasury	-0.24%	0.59%	0.75%
U.S. Mortgages	-0.15%	1.19%	1.85%
Municipal Bond	-0.88%	0.74%	0.97%

Source: Bloomberg, as of December 20, 2024

The yield curve saw continued steepening. The Fed's higher long-term rate projections pushed Treasury yields from the 2-year and beyond higher. The 2-, 10-, and 30-year yields were up 7 bps, 12 bps, and 11 bps, respectively, closing the week at 4.31 percent, 4.52 percent, and 4.72 percent, respectively.

>> The Takeaway

- The market took a risk-off sentiment as the Fed forecast that rates would remain higher for longer.
- Yield curve steepening continued after the central bank indicated it would keep rates elevated in 2025.

Looking Ahead

With the Christmas holiday on Wednesday, data will be light this week. We expect reports on consumer confidence, durable goods, new home sales, and the U.S. trade balance.

- The week kicks off Monday with the **Conference Board Consumer Confidence Index** for November. Confidence is expected to increase slightly, from 111.7 to 113.
- On Tuesday, we expect reports on preliminary durable goods orders and new home sales for November. Headline **durable goods** orders are set to fall after rising in October, whereas core orders are expected to show continued growth. New home sales are expected to rise to 675,000, up from 610,000.
- Finally, on Friday, the advanced release of the **U.S. trade balance** for November is expected. The trade deficit is set to expand to $-\$98.3$ billion, far wider than the $-\$73.8$ billion in October.





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measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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