

November 2024

# Demarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 11/30/2024

## Global Overview

In November, domestic markets rebounded strongly, while international markets faced challenges. In the U.S., major indices posted gains, driven by strong corporate earnings, another 25 basis point rate cut, and investor optimism following the presidential election. Internationally, European equities struggled amid persistently weak economic growth and elevated inflation, which dampened prospects for a swift recovery. In Asia, Chinese markets remained under pressure with trade policy concerns, disappointing corporate earnings, and weakness in the real estate market continuing to affect the country's outlook.

## U.S. Markets & Economy

Domestic equities in November rallied following October's volatility, as the S&P 500, Dow Jones Industrial Average, and the Nasdaq Composite posted returns of 5.9%, 7.7%, and 6.2%, respectively. Anticipation of pro-growth policies, strong corporate earnings, and economic stability were tailwinds in November for some of the larger Domestic Indices. All eleven GICS sectors finished the month with positive returns, with Consumer Discretionary and Financials leading the way, posting increases of 12.9%, and 10.5%, respectively. The Conference Board Consumer Confidence Index rose for a second straight month from 108.7 at the end of October to 111.7 at the end of November, and was supported by labor market optimism. ISM Manufacturing PMI increased by 1.9%, going from 46.5% to 48.4%. This now marks the eighth consecutive month below 50%, which is a signal of manufacturing contraction. U.S. Initial Jobless claims rose to 224K in the last week of November, after hovering around 213K for the majority of the month. Despite the increase, economists still believe the U.S. labor market has shown resilience, as the economy added 227K jobs in November, which beat Bloomberg's forecast of 215K. Similarly, both October and September job gains were upwardly revised by 24K and 22K. The unemployment rate slightly increased from 4.1% to 4.2%, as the total number of unemployed individuals remained at approximately 7.1 million. Small cap stocks outperformed their large cap counterparts for the month, and growth stocks continued to outperform value stocks in November. The Russell 2000 had returns of 11.0%, while the Russell 1000 had returns of 6.4%. The performance gap between growth and value was larger among small caps as the Russell 2000 Growth had returns of 12.3%, while the Russell 2000 Value had returns of 9.7%. Whereas in large caps the performance differential was only 10 basis points as the Russell 1000 Growth posted returns of 6.5% and the Russell 1000 Value had returns of 6.4%.

The Federal Reserve cut interest rates another 25 basis points at the November 7<sup>th</sup> FOMC meeting. This lowered the fed funds target rate range from 4.75%-5.00% to 4.50%-4.75%. As a result, yields decreased across the maturity spectrum. Investment grade corporate spreads decreased by 3 basis points over the month from 86 to 83 basis points, while high yield corporate spreads also decreased from 288 basis points to 274 basis points. Domestic bond market indices reacted positively to the rate cut as the Bloomberg U.S. Aggregate Index, and Bloomberg U.S. Govt/Credit indices posted returns of 1.1%, and 1.0% respectively. The Bloomberg U.S. Govt/Credit Long and ICE BofA U.S. High Yield Indices led other fixed income categories, posting returns of 2.0% and 1.2% respectively.

## International Markets & Economy

The political turmoil in France over the newly elected Prime Minister Michel Barnier's push for passage of the 2025 budget bills containing €60 billion in spending cuts and tax hikes has led to international market volatility. The yield spread between French and German 10 year bonds has widened to 0.9%, the highest since the Eurozone sovereign debt crisis in 2012. More broadly, EU PMI dropped to 48.1 in November from 50 in October, marking the largest contraction in 10 months with Germany and France being the main contributors to the detraction. Economists still expect the ECB to conduct another 25 bp rate cut in December. As a result of volatility within some of the largest country weights, the MSCI EAFE fell 0.6% in November. The Japanese government reported moderate economic

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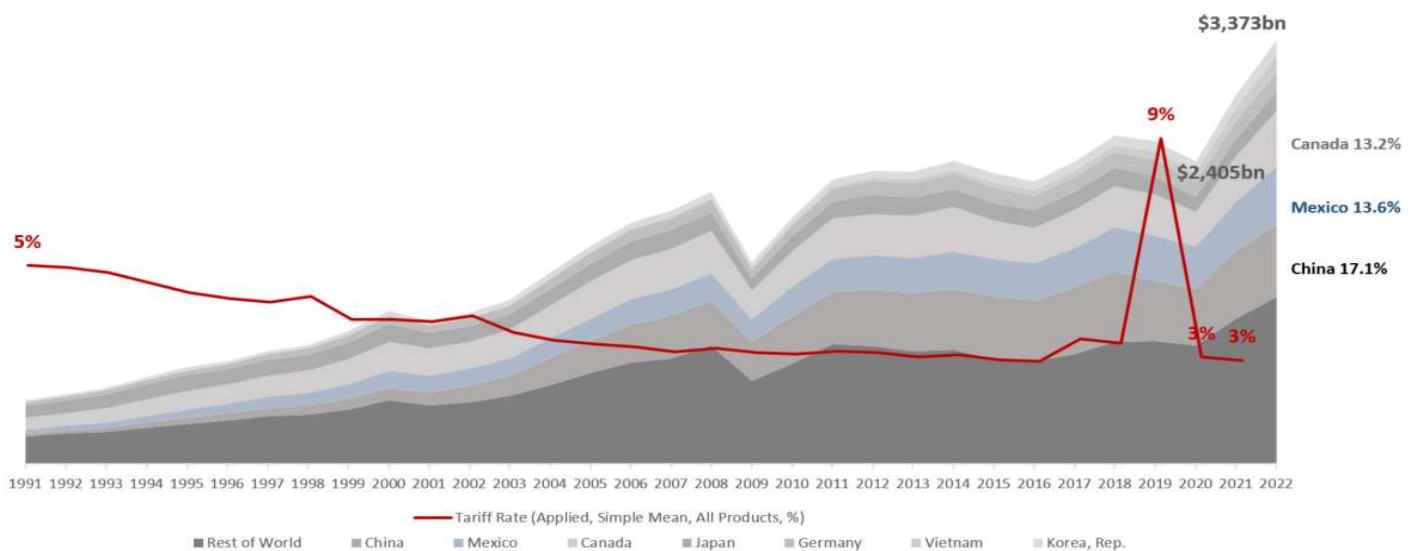
improvement, citing growth in retail sales and industrial production. Economists are closely watching the Bank of Japan's December meeting for signs of interest rate increases. The Japanese government is preparing a \$148 billion stimulus package, which includes raising the income tax threshold, providing energy subsidies, and offering financial aid amid rising prices. Chinese PMI increased to 51.3 in November from 50.5 in October while manufacturing orders increased at the fastest rate since February 2023. Exporters are scrambling to get their goods to major markets ahead of possible United States tariffs. The MSCI China index lowered 4.4% over investor skepticism driven by geopolitical tensions. India's GDP grew by 5.3% YoY in Q3, down from 6.7% in Q2 due to weak manufacturing, investment activity, and urban consumption, marking the slowest growth since Q4 2022. This unexpected slowdown has attracted greater attention to the Reserve Bank of India's December meeting, as it remains one of the few central banks in the region that hasn't started monetary easing. The MSCI Emerging Market Index decreased 3.6% last month, largely due to capital outflows, as sluggish global demand and geopolitical uncertainties affected Emerging Markets' export-oriented sectors.

## In the News

President-elect Donald Trump announced last month that he would impose a 25% tariff on all products imported from Mexico, and Canada, as well as raise the rate on goods from China by 10%. The auto industry is one of the sectors that will be hit the most as about 10% of parts for cars produced in America comes from Mexico and Canada. These countries are the three largest importers of U.S. agricultural goods, accounting for over 50% of the \$179bn in U.S. agricultural exports in 2023. Potential retaliatory taxes imposed by China, Mexico, and Canada are also expected to have negative impacts for farmers. In Trump's first term, U.S. farmers laid claims for over \$60bn in Federal subsidies for losses due to Chinese tax retaliation, which accounted for 92% of tariff revenue from China. Goldman Sachs estimates that the 25% tariff plans would increase the U.S. tariff rate by 3% to 4%, translating to a 0.3% to 0.4% bump in core PCE prices in 2025, which could delay inflation returning to the Fed's target level. Post pandemic, many American companies started diversifying their supply chains away from China. The country's share of America's imported manufactured goods fell from 24% in 2018 to 15% last year as the average effective tariff rate on Chinese imports has jumped from around 3% in 2018 to roughly 11% this year. Goldman Sachs states the tariff plan could drag China's 2025 GDP down by 0.7%. Although certain emerging market economies might benefit by gaining export shares from current tariff plans, the investment bank estimates global GDP growth could be slowed by 0.4% due to the tariffs.

## Chart of the Month

**U.S. Tariff Rate (%) and Imports Value by Country (\$bn)**



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## Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	4.59	4.39	21.85	27.83	8.79	12.42	10.06
	Bloomberg US Agg Bond TR USD	1.06	(0.13)	2.93	6.88	(1.95)	(0.01)	1.52
	Russell 3000 TR USD	6.65	8.06	27.71	34.49	10.54	15.23	12.89
	DJ Industrial Average TR USD	7.74	8.47	21.21	27.19	11.44	12.14	12.17
	NASDAQ Composite PR USD	6.21	8.49	28.02	35.09	7.34	17.27	14.90
	MSCI EAFE NR USD	(0.57)	(5.11)	6.24	11.88	4.15	5.89	5.07
	FTSE Treasury Bill 3 Mon USD	0.40	1.27	5.03	5.53	3.92	2.49	1.75
	Bloomberg Commodity TR USD	0.41	3.34	4.32	1.51	4.91	7.60	0.38
Domestic Equities	S&P 500 TR USD	5.87	7.15	28.07	33.89	11.44	15.77	13.35
	S&P MidCap 400 TR	8.81	9.29	22.67	33.36	9.27	12.60	10.59
	S&P SmallCap 600 TR USD	10.94	8.93	18.09	33.20	6.32	10.82	10.17
	Russell 1000 TR USD	6.44	7.95	28.08	34.40	10.89	15.58	13.16
	Russell 1000 Growth TR USD	6.49	9.14	32.19	38.04	10.92	19.46	16.55
	Russell 1000 Value TR USD	6.39	6.68	22.76	29.56	10.39	10.84	9.32
	Russell Mid Cap TR USD	8.82	10.64	24.07	33.66	7.77	12.05	10.45
	Russell Mid Cap Growth TR USD	13.33	19.15	30.20	40.07	6.41	13.18	12.22
	Russell Mid Cap Value TR USD	7.36	8.01	22.00	31.50	8.73	10.92	9.01
	Russell 2000 TR USD	10.97	10.13	21.58	36.43	4.96	9.90	9.05
	Russell 2000 Growth TR USD	12.26	12.24	25.42	40.44	3.25	9.19	9.34
	Russell 2000 Value TR USD	9.65	8.00	17.88	32.55	6.35	9.93	8.37
International Equities	MSCI ACWI Ex USA NR USD	(0.91)	(3.23)	7.62	13.03	2.86	5.40	4.62
	MSCI EAFE NR USD	(0.57)	(5.11)	6.24	11.88	4.15	5.89	5.07
	MSCI EAFE Growth NR USD	(0.36)	(6.11)	4.95	10.95	(0.27)	5.18	5.76
	MSCI EAFE Value NR USD	(0.77)	(4.09)	7.61	12.86	8.59	6.23	4.14
	MSCI Japan NR USD	0.66	(3.82)	8.68	13.43	3.56	5.32	6.13
	MSCI AC Asia Ex Japan NR USD	(3.29)	0.05	11.79	15.72	(1.19)	3.87	4.31
	MSCI Europe NR USD	(1.68)	(7.12)	4.34	9.55	4.24	6.23	4.78
	MSCI United Kingdom NR USD	1.39	(3.93)	10.58	15.58	8.81	6.02	3.82
	MSCI EAFE Small Cap NR USD	0.07	(3.81)	4.21	11.81	(1.09)	3.66	5.71
	MSCI EM NR USD	(3.59)	(1.73)	7.65	11.86	(1.27)	3.20	3.16
Fixed Income	Bloomberg US Govt/Credit TR USD	0.97	(0.06)	2.89	6.68	(2.14)	0.08	1.67
	Bloomberg US Govt/Credit Interm TR USD	0.62	0.09	3.64	6.05	(0.01)	1.01	1.74
	Bloomberg US Govt/Credit Long TR USD	2.02	(0.50)	0.67	8.63	(7.95)	(2.52)	1.65
	ICE BofA US High Yield TR USD	1.15	2.23	8.67	12.67	3.70	4.56	4.97
	Credit Suisse HY USD	1.10	1.95	8.25	12.05	3.87	4.55	4.88
	Morningstar LSTA US LL Index TR USD	0.82	2.42	8.34	10.13	7.03	6.07	4.96
	FTSE WGBI NonUS USD	(0.13)	(2.49)	(2.53)	2.15	(7.23)	(4.10)	(1.34)
	Bloomberg Gbl Agg Ex USD TR USD	(0.23)	(2.43)	(1.65)	2.73	(5.47)	(2.64)	(0.76)
REITs	FTSE Nareit All REITs TR	3.46	2.58	13.24	23.30	1.07	4.64	6.56
	Wilshire US REIT TR USD	5.05	5.15	17.69	29.68	2.88	6.00	6.70

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

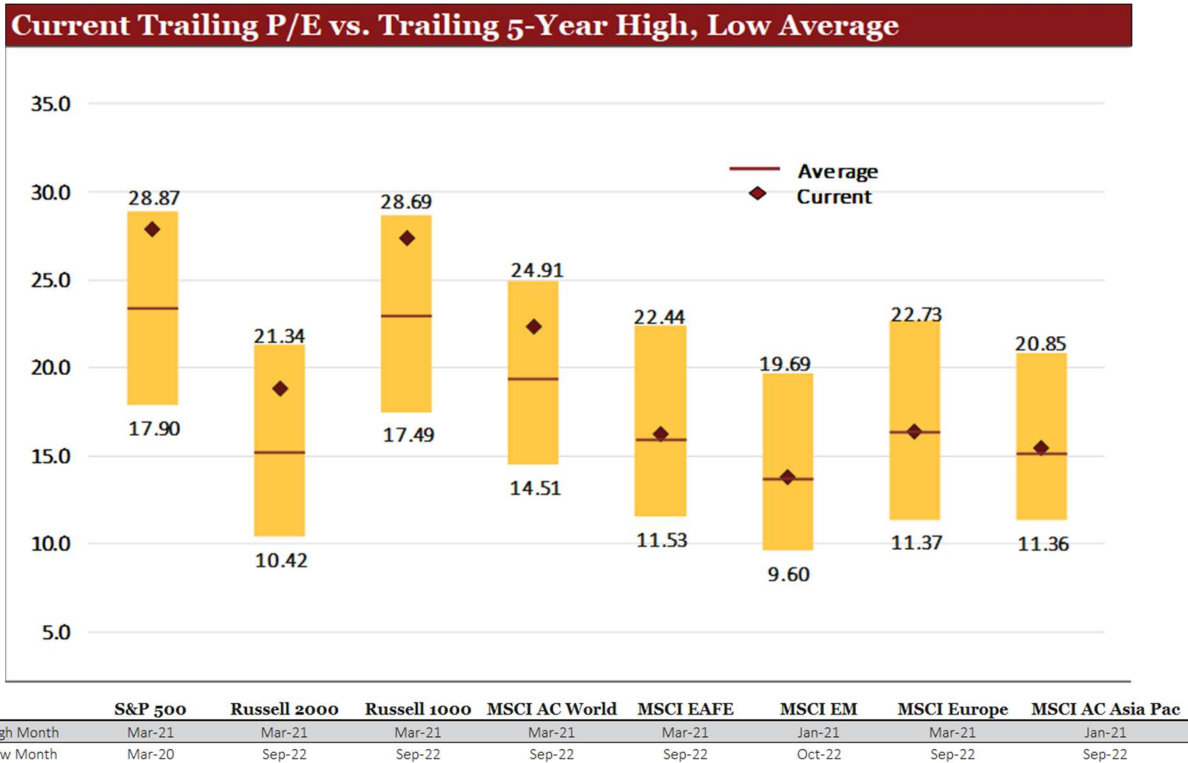
Source: Morningstar

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Source: Morningstar; Data as of 11/30/2024

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates <sup>3</sup> per US \$		Inflation <sup>2</sup>
	Latest <sup>1</sup>	2024 <sup>1</sup>	2025 <sup>1</sup>	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
<b>United States</b>	2.80	2.60	1.80	4.20	4.18	-	-	2.60
<b>China</b>	0.90	4.90	4.50	5.00	2.04	7.24	7.13	0.30
<b>Japan</b>	0.20	0.50	1.10	2.50	1.05	150.41	147.39	2.30
<b>United Kingdom</b>	0.10	0.40	1.00	4.30	4.25	1.27	1.27	2.30
<b>Euro Area</b>	0.40	0.70	1.50	6.30	2.73	1.05	1.10	2.30
<b>Germany</b>	0.10	0.20	1.10	6.10	2.09	1.05	1.10	2.20
<b>France</b>	0.40	0.70	1.30	7.40	2.95	1.05	1.10	1.30
<b>Italy</b>	0.00	0.70	1.20	5.80	3.27	1.05	1.10	1.40
<b>Canada</b>	0.30	1.00	1.80	6.50	3.08	1.40	1.36	2.00
<b>India</b>	1.30	6.60	6.60	10.10	6.83	84.33	83.27	4.75
<b>Mexico</b>	1.10	2.20	2.00	2.50	9.90	20.31	17.20	4.76
<b>Brazil</b>	0.90	1.90	2.10	6.20	13.47	6.00	4.90	4.76

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2022 & 2023 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

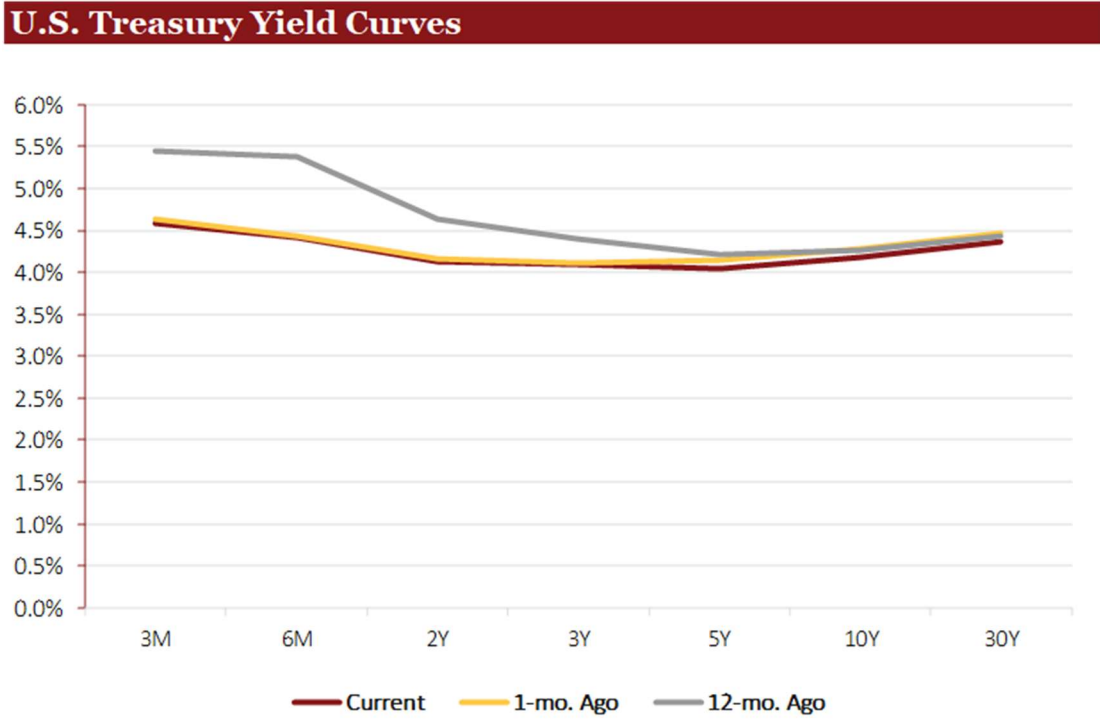
4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rate

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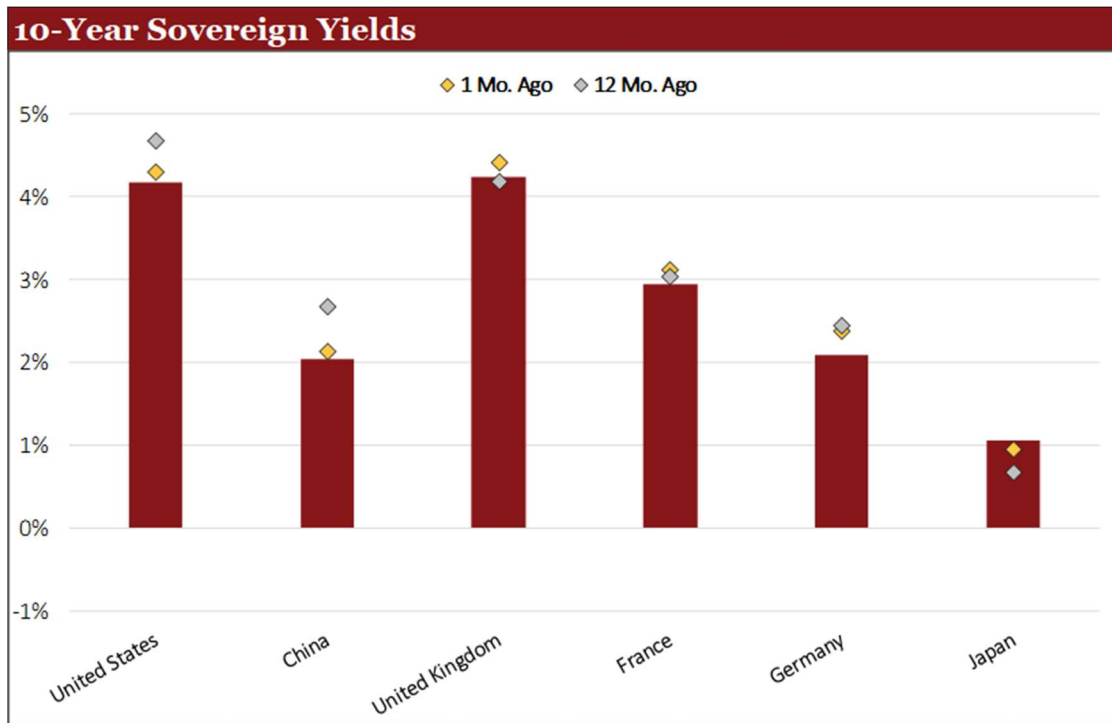
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Source: Federal Reserve Bank; Data as of 11/30/2024



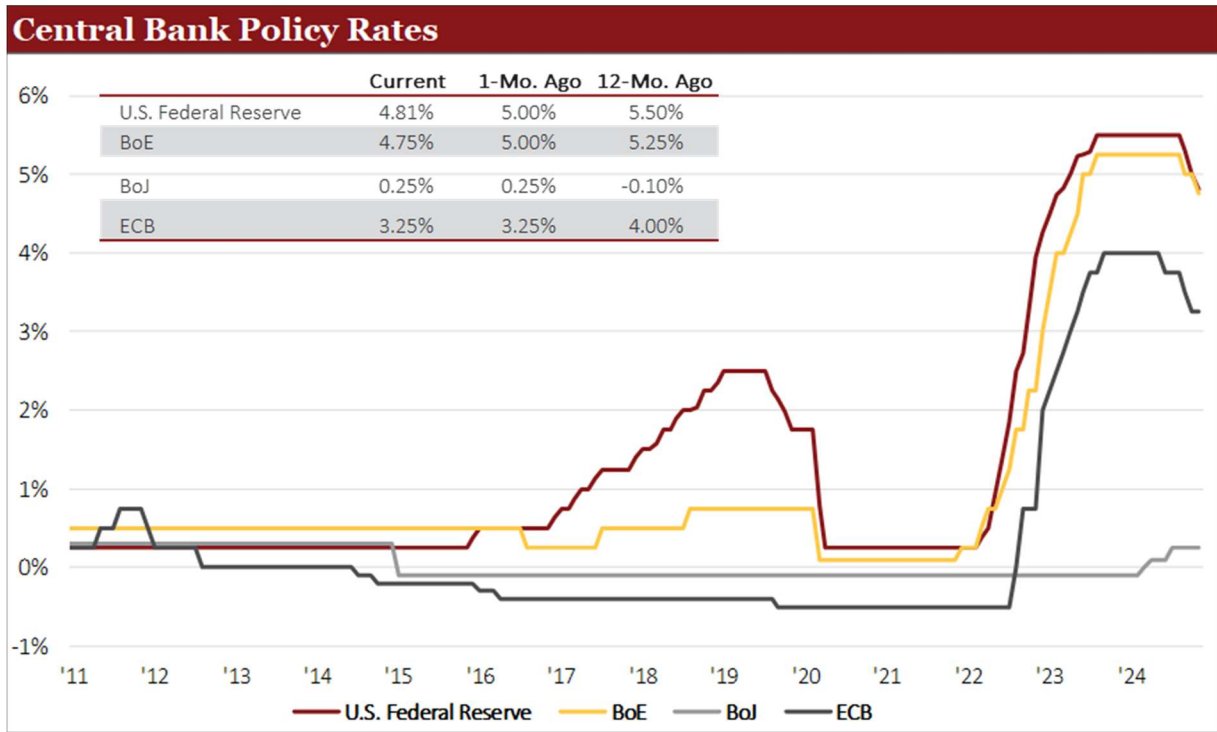
Source: Trading Economics; Data as of 11/30/2024

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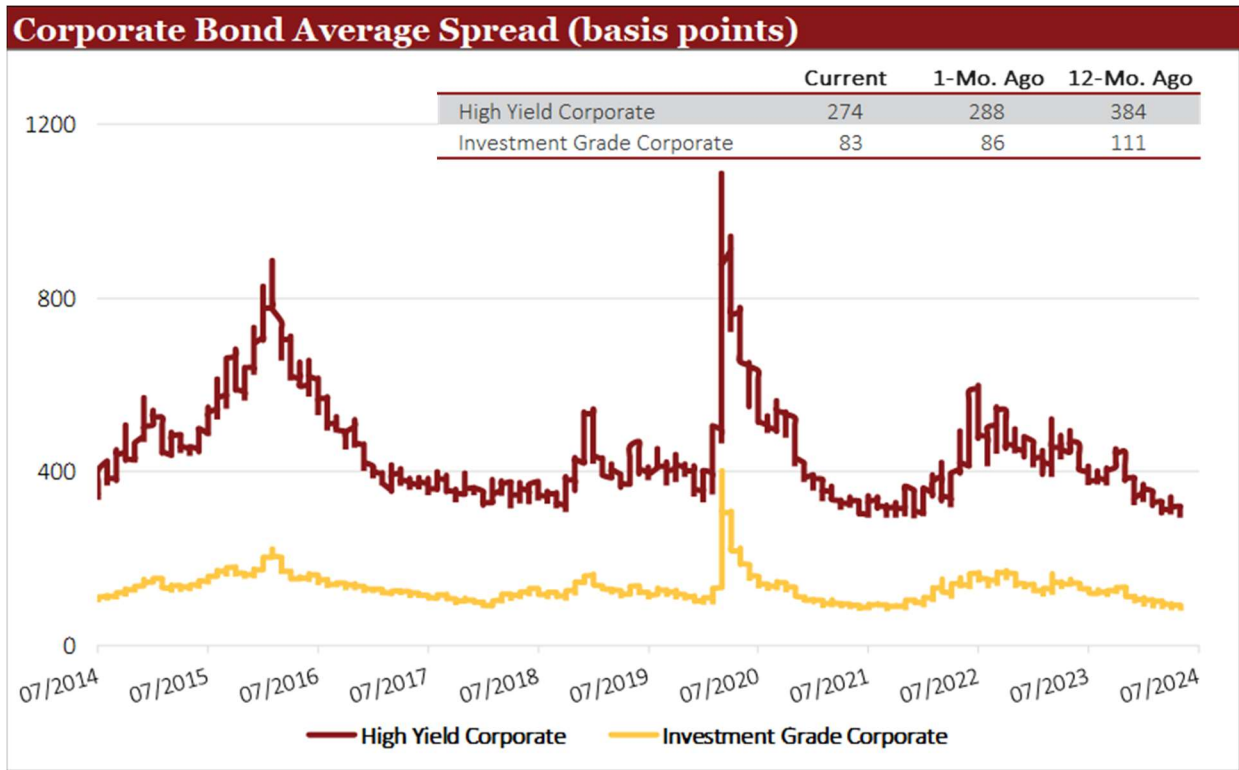
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 11/1/2024



Source: Federal Reserve Bank, Bank of America; Data as of 11/30/2024