

# Weekly Market Recap

December 16<sup>th</sup>, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 <sup>®</sup> Index	6,051	-0.6%	26.9%
Dow Jones Industrial Average	43,828	-1.8%	16.3%
NASDAQ	19,927	0.3%	32.7%
Russell 2000 <sup>®</sup> Index	2,347	-2.6%	15.8%
MSCI EAFE Index	2,338	-0.7%	4.6%
Ten-Year Treasury Yield	4.40%	0.3%	0.5%
Oil WTI <sup>1</sup> (\$/bbl <sup>2</sup> )	\$71.18	-5.9%	-0.7%
Bonds <sup>3</sup>	\$97.92	-1.4%	2.4%

<sup>1</sup>WTI = West Texas Intermediate Oil. <sup>2</sup>bbl = Barrel. <sup>3</sup>Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

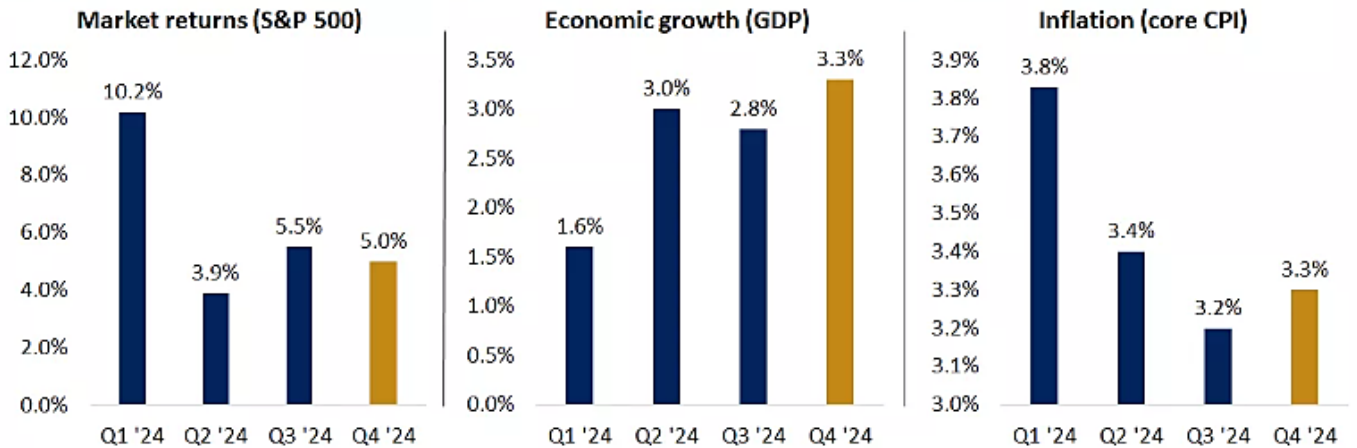
## Last Week:

### U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -0.6% as the November Consumer Price Index (CPI) was in line with analyst expectations for both core (excludes food and energy) and headline reports, though there was some deceleration in shelter inflation. There was some upside pressure from food and used vehicles. Futures markets continue to price a 98% chance that the Federal Reserve (Fed) will cut the fed funds rate by 0.25% at its December 18<sup>th</sup> meeting. The November Producer Price Index (PPI) was modestly better than analysts expected, though the core PPI was in line with their expectations. Earlier in the week, there was a notable decline in stocks with exposure to the momentum factor. The dollar index was up, gold rose +0.6%, and oil (WTI) was down -5.9%.
- S&P 500 Index Sector Returns:
  - Communication services (+2.4%) rose.
  - Consumer discretionary (+1.4%) rose, led by travel stocks.
  - Technology (-0.2%) fell, with softness in software stocks.
  - Financials (-1.9%) fell, led lower by banks.
  - Energy (-2.1%) fell, as the price of WTI fell -5.9%.
  - Industrials (-2.3%) fell, led lower by airlines, aerospace and defense, and logistics stocks.
  - Real Estate (-2.4%) fell, led lower by cell towers and public storage real estate investment trusts.
  - Materials (-2.9%) fell, led lower by paint and chemical stocks.
  - Consumer staples (-0.7%), healthcare (-2.1%), and utilities (-2.7%) underperformed, as investors appeared to favor less-defensive stocks.

- 2024 appears to have surprised investors with a strong return for the S&P 500 Index, which was supported by healthy consumer spending and U.S. economic growth. The progress on reducing inflation slowed in the fourth quarter but inflation remains below elevated levels of 2022 and 2023.

**The bull market continues uninterrupted boosted by a strong consumer, but progress on inflation slowed in Q4.**



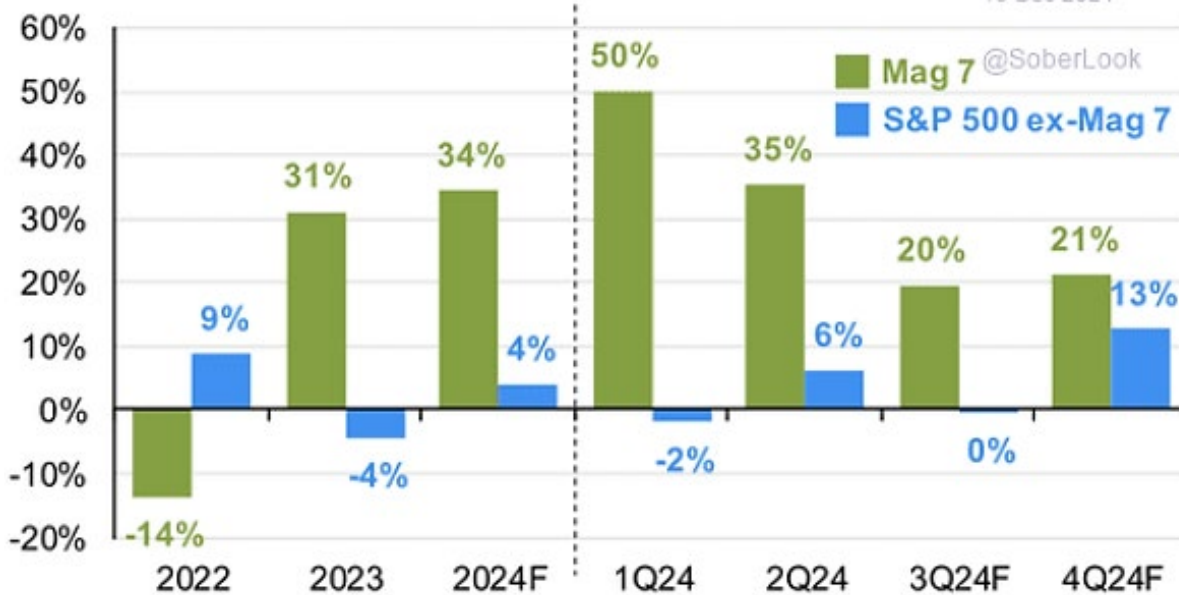
GDP: gross domestic product. Gold bars are highlighted to indicate the current quarter. Sources: Morningstar Direct; Edward Jones.

- The earnings growth for the “Magnificent 7” has outpaced the earnings growth for the rest of the S&P 500 Index (S&P 493). 4Q24 shows an improvement in the earnings growth for the S&P 493, which coincided with improved relative returns.

**Earnings growth**

Pro-forma EPS, y/y

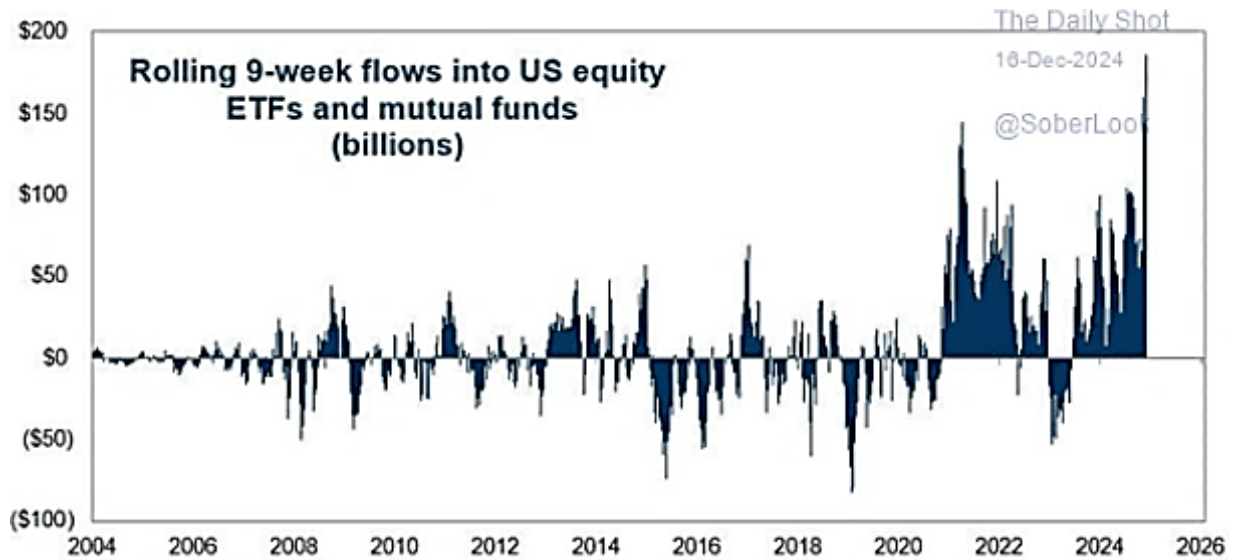
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The Daily Shot  
16-Dec-2024



Pro-forma earnings per share (EPS) is indicated by the F. Sources: JP Morgan Asset Management; The Daily Shot.

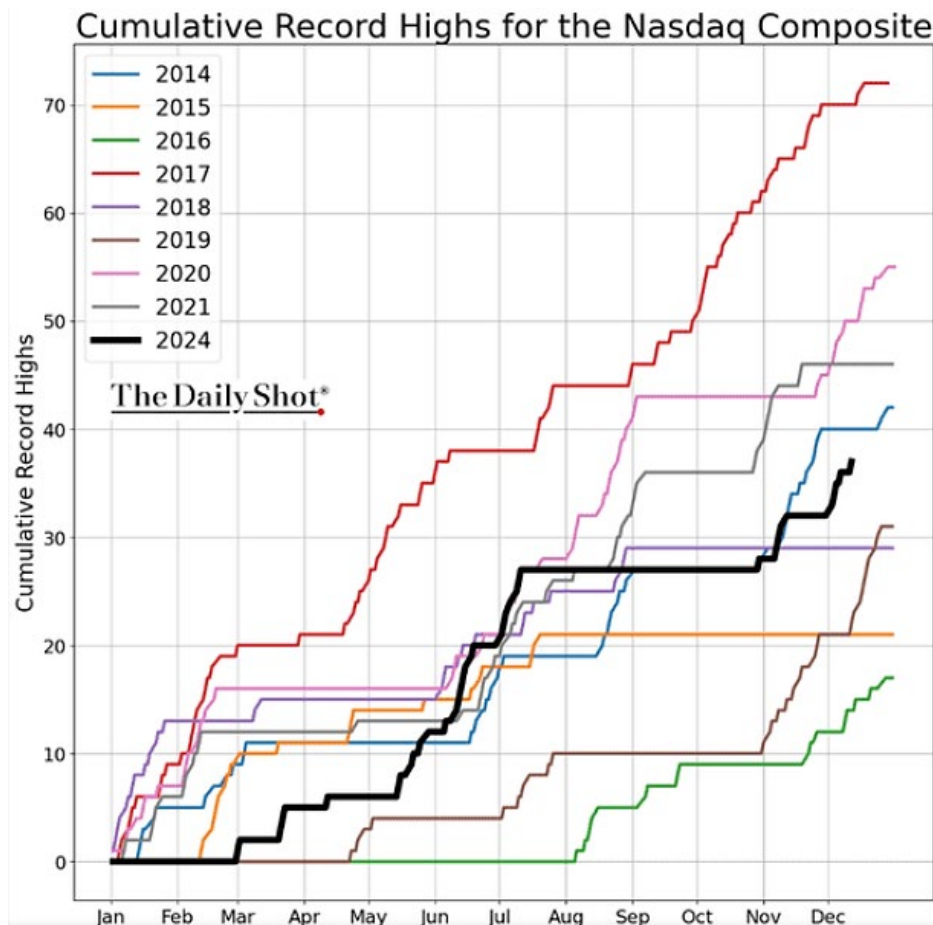
The “Magnificent 7” (M7) refers to a group of high high-performing U.S. stocks in the S&P 500 Index comprised of Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. The S&P 493 is an abbreviation for the S&P 500 Index minus the M7 and is not an official index.

- U.S. equity flows are hitting record highs in 2024.



ETFs: exchange-traded funds. Sources: Deutsche Bank; Bloomberg L.P.; The Daily Shot.

- The Nasdaq Composite hit 20,000, its 37<sup>th</sup> record high of the year (see black line).



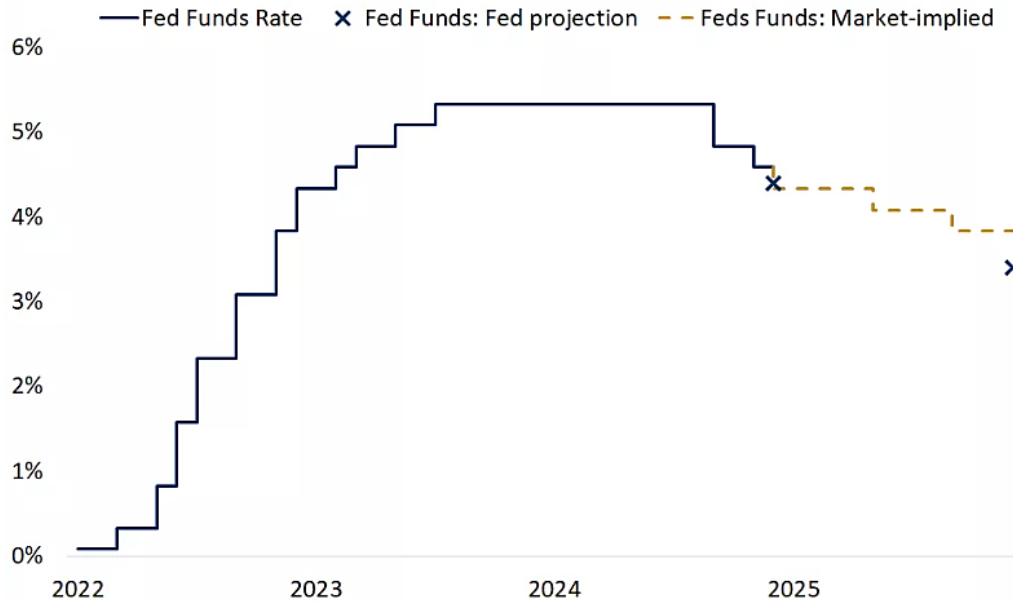
Source: The Daily Shot.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on pages 6-7.

## Fixed Income Markets

- The Fed is likely to cut the fed funds rate to 3.5-4.0% in 2025.

### Fed likely continues cutting to 3.5% - 4%



Sources: Bloomberg L.P.; Edward Jones.

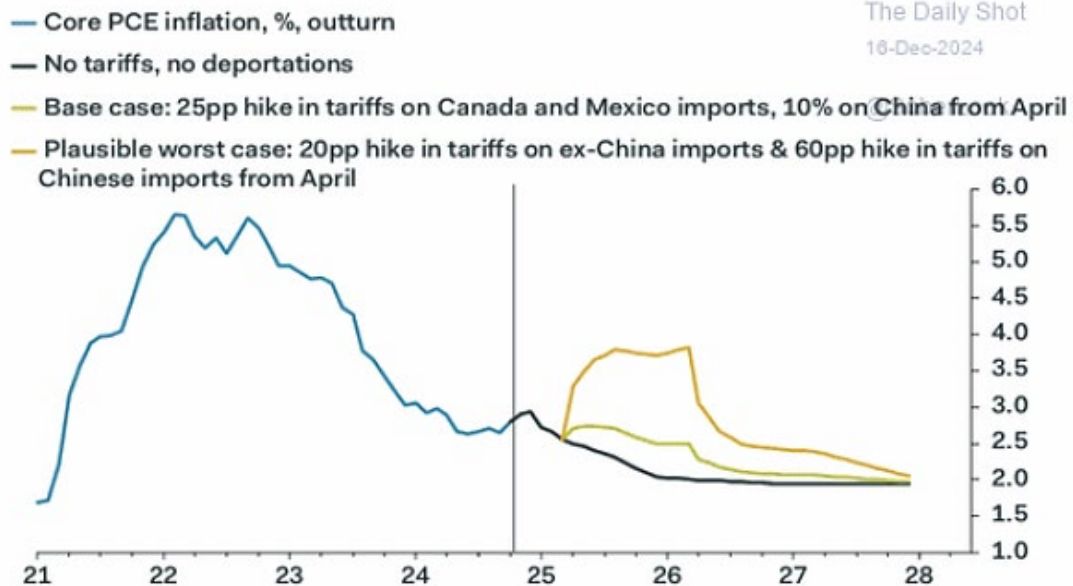
- Tariffs and persistent inflationary pressures could keep core personal consumption expenditures (PCE) above the Fed's target of 2.0%, according to Pantheon Macroeconomics.

### 52. CORE PCE INFLATION LIKELY TO HOVER BETWEEN 2.5% AND 3.0% IN 2025

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The Daily Shot

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Y-axis is core PCE inflation percentage. Pp: percentage points. Sources: Pantheon Macroeconomics; The Daily Shot.

## U.S. Economic and Political News

- Jobless claims increased week-over-week.
- The National Federation of Independent Business (NFIB) Small Business Optimism Index jumped to its highest level since June 2021, snapping a 34-month streak of record-high uncertainty.

## International Markets and News

- European markets (STOXX 600 Index) fell -0.8% as the European Central Bank (ECB) lowered its key deposit rate by 0.25% to 3.0% and the ECB commentary suggested it may continue to ease monetary policy further.
- The Chinese stock market (Shanghai Composite) fell -0.4% as China pledged to implement a more proactive fiscal policy and increase the budget deficit in 2025 to boost economic growth.
- Japanese equities (Nikkei 225 Index) rose +1.0% as China's announcement of more proactive fiscal measures may benefit the region with increased economic activity.

## This Week:

- The volume of corporate earnings reports will be moderate this week.
- Economic data:
  - Monday: Empire Manufacturing Index, Purchasing Managers' Index (PMI) Manufacturing Preliminary, PMI Services Preliminary;
  - Tuesday: Retail Sales, Capacity Utilization, Industrial Production, Business Inventories, National Association of Home Builders (NAHB) Housing Market Index, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Federal Open Market Committee Meeting/Fed Funds Rate, Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Building Permits, Current Account Balance, Housing Starts, Department of Energy (DOE) Crude Inventories;
  - Thursday: Gross domestic product (GDP) Chain Price (second revision), GDP (second revision), Weekly Jobless Claims, Philadelphia Fed Index, Existing Home Sales, Leading Indicators, Treasury International Capital (TIC) Flows, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Core PCE, Personal Spending, Personal Income, Michigan Consumer Sentiment Index (Final).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®  
Executive Director

Griffith Jones, Jr.  
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**The S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

**The Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

**The Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

**The NASDAQ Composite Index** is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

**The MSCI EAFE Index** is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**The STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**The Nikkei 225** is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

**The Shanghai Stock Exchange Composite Index** is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **Chain-weighted GDP** is a method of calculating the gross domestic product that accounts for changes in the price level over time by using a moving average of prices from different years. **The Consumer Price Index (CPI)** is a widely used economic indicator that measures the average change in prices paid by consumers for a basket of goods and services over time. The CPI is a key indicator of inflation and is closely tracked by policymakers, businesses, financial markets, and consumers. **The core PCE price index**, or the core Personal Consumption Expenditures price index, is a measure of the prices consumers pay for goods and services, excluding food and energy. **The Empire Manufacturing Index** refers to a monthly survey conducted by the Federal Reserve Bank of New York that gauges the health of the manufacturing sector in New York State, providing insight into current business conditions by asking manufacturers about factors like new orders, shipments, and general business activity. **An exchange-traded fund (ETF)** is a pooled investment security that can be bought and sold like an individual stock. ETFs can be structured to track anything from the price of a commodity to a large and diverse collection of securities. **The federal funds rate** is the interest rate that banks charge each other to borrow money overnight. The Federal Reserve sets a target range for the rate, and banks negotiate a specific rate within that range. The weighted average of all these negotiated rates is the effective federal funds rate. **A futures market** is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date. Futures are exchange-traded derivatives contracts that lock in future delivery of a commodity or security at a price set today. **Gross domestic product (GDP)** is the total value of goods and services produced in a country over a specific period of time. It's calculated by subtracting the value of goods and services used in production from the total value of goods and services produced. The term **housing starts** refers to the start of construction on a new residential housing unit. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy. **The National Association of Home Builders (NAHB) Housing Market Index (HMI)** is a monthly survey-based index that measures the health of the single-family housing market in the United States. **The National Federation of Independent Business (NFIB) Small Business Optimism Index** is a monthly economic indicator that measures the confidence and sentiment of small businesses in the United States. It's based on a survey of thousands of NFIB member businesses, which are mostly small and medium-sized enterprises (SMEs). **The Philadelphia Federal Index** (or Philly Fed Survey) is a regional federal-reserve-bank index measuring changes in business growth. It is also known as the "Manufacturing Business Outlook Survey." **The Purchasing Managers' Index (PMI)** is a monthly economic indicator that summarizes the activity in the manufacturing sector of the United States. It's based on a survey of manufacturing executives, who are asked to rate activity in several categories, including production, inventories, and new orders. **The Producer Price Index (PPI)** program measures the average change over time in the selling prices received by domestic producers for their output. **Proforma earnings per share (EPS)** is the calculation of EPS assuming a merger and acquisition (M&A) takes place and all financial metrics, as well as the number of shares outstanding, are updated to reflect the transaction. **The Services Purchasing Managers' Index (PMI)** is an economic indicator that provides insight into the services sector of the economy. It's based on a monthly survey of purchasing executives in the private sector service industry. The survey asks about key areas such as employment, prices, inventories, and sales. (Technical definitions are sourced from Corporate Finance Institute.)

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