

# MONTHLY MARKET PERSPECTIVES

November 2024

## U.S. ECONOMY

- The unemployment rate remained at 4.1% in October.
- Inflation, as measured by the consumer price index (CPI), decelerated to a rise of 2.4% on an annual basis, the smallest annual increase since February 2021.
- Consumer confidence jumped to the highest level since the start of the year, while retail sales rose at a faster-than-expected pace (0.4%) in September.

## U.S. EQUITY MARKETS

- The S&P 500 broke a streak of five-straight monthly gains to end October 0.91% lower. The month started strong with economic data showing continued strength in the U.S. economy, reinforcing the Federal Reserve's (Fed's) soft landing scenario. However, at the end of the month, investors focused back on AI spending and the path to monetization for the "Magnificent Seven," leading to volatility. Over two-thirds of companies in the S&P 500 have reported earnings with a blended earnings growth rate of 5.2%, above estimates at the start of earnings season. Company profit margins still look solid, with the blended net profit margin for Q3 at 12%, which is above the five-year average of 11.5%.
- Financials was the best performing sector in the S&P 500, up 2.55%, while healthcare declined 4.73%. Small cap stocks underperformed their large cap peers, -1.10% versus -0.78%, respectively. Large cap growth stocks underperformed value stocks, -0.82% versus -0.62%.

## INTERNATIONAL MARKETS

- The MSCI EAFE Index, representing non-U.S. developed markets, fell 5.44% in October. The European Central Bank (ECB) cut interest rates for the third consecutive time, with ECB President Christine Lagarde saying that the bloc is still on track for a soft landing.
- Emerging markets, represented by the MSCI Emerging Markets Index, fell -4.45% in October. Chinese markets reversed some of the prior month's gains, falling 5.91%, as further government stimulus failed to live up to investor expectations.

## FIXED INCOME

- Yields on the 2-year and 10-year U.S. Treasury have climbed 53 and 50 basis points (bps), respectively, since the Fed cut the federal funds rate by 50 bps on September 18. This comes as investors have dialed back expectations for future rate cuts, driven by strong economic data and expectations that Donald Trump will win next Tuesday's election. Other factors, such as the growth in U.S. federal debt, have resurfaced and are likely to weigh on yields in the long term. Traders of fed funds futures are pricing in a 97% probability of a 25-bp cut in November and a 75% probability of another 25-bp cut in December.
- The Federal Open Market Committee minutes for September showed that while the vote to ease rates was unanimous, "a substantial majority of participants supported" the 50-bp cut, but "some participants" preferred a smaller 25-bp cut. The minutes also reiterated that the larger-than-normal rate cut "should not be interpreted as evidence of a less favorable economic outlook," but rather a recalibration.
- Investment-grade corporate spreads and high-yield spreads narrowed. The Bloomberg U.S. Aggregate Index and the Bloomberg U.S. Corporate High Yield Index fell -2.48% and -0.54%, respectively.

## CURRENCY/COMMODITIES/REAL ESTATE

- West Texas Intermediate (WTI) was volatile over the month but ultimately ended higher at \$69.26 per barrel, as Israel's retaliatory strikes on Iran did not target oil infrastructure.
- Gold prices rose in October, closing at \$2,743.97 per oz., up 4.15%, hitting another record high ahead of the U.S. elections and on rising geopolitical tensions.
- The U.S. dollar hit a 2 ½-month peak on expectations that the Fed will temper its interest rate cut path, closing the month at 103.98 versus 100.78 in September.

<b>North American Equity</b>	<b>MTD (%)</b>	<b>QTD (%)</b>	<b>YTD (%)</b>	<b>1 Year (%)</b>	<b>3 Year (%)</b>	<b>5 Year (%)</b>
Bloomberg U.S. 3000 Index	-0.78	-0.78	19.55	37.75	7.40	14.57
Standard & Poor's 500	-0.91	-0.91	20.97	38.02	9.08	15.27
Standard & Poor's/TSX (CAD)	0.85	0.85	18.24	32.06	8.05	11.33
<b>U.S. Equity by Size/Style</b>						
Bloomberg U.S. 1000 Index	-0.76	-0.76	20.12	37.91	7.84	14.88
Bloomberg U.S. 1000 Growth Index	-0.82	-0.82	22.32	41.80	7.24	17.20
Bloomberg U.S. 1000 Value Index	-0.62	-0.62	15.27	29.58	8.27	10.92
Bloomberg U.S. 2000 Small Cap Index	-1.10	-1.10	9.29	34.80	0.21	9.78
Bloomberg U.S. 2000 Small Cap Growth Index	-0.84	-0.84	10.43	37.10	-3.08	8.15
Bloomberg U.S. 2000 Small Cap Value Index	-1.44	-1.44	7.87	31.98	4.17	11.69
Bloomberg U.S. Micro Cap Index	0.00	0.00	2.47	26.56	-10.25	8.72
<b>International Equity (USD)</b>						
MSCI AC World ex U.S.	-4.91	-4.91	8.61	24.33	1.60	5.78
MSCI EAFE	-5.44	-5.44	6.85	22.97	2.70	6.24
MSCI Europe	-5.89	-5.89	6.13	22.43	3.00	6.91
MSCI Pacific	-6.30	-6.30	7.84	25.73	1.47	4.34
MSCI Japan	-3.90	-3.90	7.97	22.33	2.48	5.30
MSCI Emerging Markets	-4.45	-4.45	11.66	25.32	-1.43	3.93
<b>U.S. Fixed Income</b>						
Bloomberg U.S. Treasury Bills: 1-3 Months	0.39	0.39	4.49	5.45	3.71	2.38
Bloomberg U.S. Aggregate	-2.48	-2.48	1.86	10.55	-2.20	-0.23
Bloomberg Gov't/Credit	-2.38	-2.38	1.90	10.23	-2.31	-0.13
Bloomberg Treasury	-2.38	-2.38	1.36	8.41	-2.55	-0.70
Bloomberg U.S. TIPS	-1.79	-1.79	2.97	8.61	-1.54	2.20
Bloomberg Municipal Bond Index	-1.46	-1.46	0.81	9.70	-0.30	1.05
Bloomberg U.S. Credit	-2.41	-2.41	2.69	13.07	-1.99	0.46
Bloomberg Corporate High Yield	-0.54	-0.54	7.42	16.47	2.97	4.55
<b>Real Estate/Commodities/Alternatives</b>						
Wilshire U.S. Real Estate Securities Index	-2.50	-2.50	11.99	36.43	1.15	4.67
Wilshire Global ex U.S. Real Estate Securities Index	-8.40	-8.40	1.78	24.57	-2.92	-1.63
Wilshire Global Real Estate Securities	-3.93	-3.93	9.42	33.40	0.10	2.84
Bloomberg Commodity Index	-1.85	-1.85	3.89	-1.18	2.15	6.96
S&P GSCI Commodity (S&P GSCI)	0.45	0.45	5.71	-1.51	6.95	7.86

Wilshire Liquid Alternatives Index	-0.96	-0.96	5.31	10.00	1.73	2.92
Wilshire Liquid Alternative Equity Hedge Index	-0.24	-0.24	11.06	17.89	5.28	6.50
Wilshire Liquid Alternative Event Driven Index	-0.18	-0.18	3.34	6.39	1.48	2.55
Wilshire Liquid Alternative Global Macro Index	-2.56	-2.56	0.88	-1.95	1.44	2.94
Wilshire Liquid Alternative Multi-strategy Index	-1.02	-1.02	5.93	10.52	1.86	2.75
Wilshire Liquid Alternative Relative Value Index	-1.21	-1.21	2.36	8.02	-0.50	0.83
Wilshire Focused Liquid Alternative Index	-0.42	-0.42	5.16	7.95	1.34	2.82

Source: Stifel Investment Strategy via Bloomberg as of October 31, 2024

\*Represents annualized returns

## DISCLOSURES

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within.

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Led by Stifel Chief Investment Officer Michael O’Keeffe, the Stifel CIO Office is comprised of several investment professionals. The team works collaboratively with other Stifel professionals to develop macroeconomic analysis, market analysis, strategic and dynamic asset allocation guidance, applied behavioral finance, and specific investment solutions for advisors and clients.

### Asset Class Risks

**Bonds** – Bonds are subject to market, interest rate, and credit risk. Prices on bonds and other interest rate-sensitive securities will decline as interest rates rise. Municipal bonds may be subject to state and alternative minimum taxes, and capital gains taxes may apply. High yield bonds have greater credit risk than higher quality bonds. Yields and market values will fluctuate, and if sold prior to maturity, bonds may be worth more or less than the original investment.

**Equities** – Portfolios that emphasize stocks may involve price fluctuations as stock market conditions change. Small and mid-capitalization stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

**International/Global/Emerging Markets** – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

**Alternative Investments** – Alternative investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing tax information, are not subject to the same regulatory requirements as more traditional investments, and often charge high fees, which may erode performance. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, and Hedge Funds. **Real Estate** – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance. **Commodities and Futures** – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains. **Hedge Funds** – Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.

### Index Descriptions

The Bloomberg U.S. 3000 Total Return Index is a float market-cap-weighted benchmark of the 3,000 most highly capitalized U.S. companies.

The Standard & Poor’s 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The Standard & Poor's/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange with about 250 companies included in it.

The NASDAQ Composite Index is a capitalization-weighted index that is comprised of all stocks listed on the National Association of Securities Dealers Automated Quotation System stock market, which includes both domestic and foreign companies.

The Bloomberg U.S. 1000 Total Return Index is a float market-cap-weighted benchmark of the 1,000 most highly capitalized U.S. companies.

The Bloomberg U.S. 1000 Growth Total Return Index provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

The Bloomberg U.S. 1000 Value Total Return Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

The Bloomberg U.S. 2000 Total Return Index is a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the Bloomberg U.S. 3000 Index.

The Bloomberg U.S. 2000 Growth Total Return Index is a float market-cap-weighted equity benchmark derived from membership of the Bloomberg U.S. 2000 Index.

The Bloomberg U.S. 2000 Value Total Return Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

The Bloomberg U.S. Micro Cap Total Return Index is a float market-cap-weighted benchmark of those securities in the U.S. Aggregate Equity Index with a market capitalization ranking of lower than 2,500.

The MSCI World ex USA All Cap Index captures large, mid, small, and micro cap representation across 22 of 23 Developed Markets (D.M.) countries (excluding the United States). With 8,138 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country.

The MSCI EAFE Index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips, and foreign listings (e.g. ADRs).

The MSCI Europe Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of the developed markets in Europe.

The MSCI Pacific Index captures large and mid cap representation across five Developed Markets (D.M.) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI EM (Emerging Markets) Europe, Middle East and Africa Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East, and Africa.

The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related, and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and nonagency). Provided the necessary inclusion rules are met, U.S. Aggregate-eligible securities also contribute to the multicurrency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

The Bloomberg U.S. Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. It includes investment-grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related, and corporate securities.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible.

The Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The U.S. Treasury Index is a component of the U.S. Aggregate, U.S. Universal, Global Aggregate, and Global Treasury Indices.

The Bloomberg U.S. Treasury U.S. TIPS index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

The Bloomberg U.S. Municipal Index covers the U.S. dollar-denominated, long-term, tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

The Bloomberg U.S. Credit Index measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. It is composed of the U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals, and local authorities.

The Bloomberg U.S. Corporate High Yield Bond Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Bloomberg Global Aggregate Bond Index is a flagship measure of global investment-grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes U.S. dollar-denominated debt from sovereign, quasi-sovereign, and corporate E.M. issuers.

The Wilshire U.S. Real Estate Investment Trust Index (Wilshire U.S. REIT) is a float-adjusted market capitalization-weighted index that measures U.S. publicly traded real estate investment trusts (REITs), excluding mortgage REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, hybrid REITs, and companies that have more than 25% of their assets in direct mortgage investments.

The Wilshire ex U.S. Real Estate Investment Trust Index<sup>SM</sup> (Wilshire ex U.S. REIT) measures global publicly traded real estate investment trusts, less all U.S. securities. The Wilshire ex U.S. REIT is a subset of the Wilshire ex U.S. Real Estate Securities Index<sup>SM</sup> (Wilshire ex U.S. RESI).

The Wilshire Global REIT Index is a float-adjusted, market capitalization-weighted index that measures global publicly traded real estate investment trusts (REITs), excluding mortgage REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, hybrid REITs, and companies that have more than 25% of their assets in direct mortgage investments.

Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted two-thirds by trading volume and one-third by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from the sixth to the tenth business day based on the roll schedule.

The S&P GSCI Crude Oil Index is a sub-index of the S&P GSCI Commodity Index. The production-weighted index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract.

The S&P GSCI (formerly the Goldman Sachs Commodity Index) serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. The index was originally developed by Goldman Sachs. In 2007, ownership transferred to Standard & Poor's, which currently owns and publishes it. Futures of the S&P GSCI use a multiple of 250. The S&P GSCI contains as many commodities as possible, with rules excluding certain commodities to maintain liquidity and investability in the underlying futures markets. The index currently comprises 24 commodities from all commodity sectors.

The Wilshire Liquid Alternative Index<sup>SM</sup> measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. The Wilshire Liquid Alternative Index (WLIQA) is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge Index<sup>SM</sup> (WLIQAEH), Wilshire Liquid Alternative Global Macro Index<sup>SM</sup> (WLIQAGM), Wilshire Liquid Alternative Relative Value Index<sup>SM</sup> (WLIQARV), Wilshire Liquid Alternative Multi-Strategy Index<sup>SM</sup> (WLIQAMS), and Wilshire Liquid Alternative Event Driven Index<sup>SM</sup> (WLIQAED).

The Wilshire U.S. Real Estate Securities Index<sup>SM</sup> (Wilshire U.S. RESI) measures U.S. publicly-traded real estate securities. Designed to offer a market-based index that is more reflective of real estate held by pension funds, the Wilshire U.S. RESI is comprised of publicly-traded real estate equity securities and unencumbered by limitations of other appraisal-based indexes. It can serve as a proxy for direct real estate investing by excluding securities whose value is not always tied to the value of the underlying real estate. Exclusions include: mortgage REITs, net-lease REITs, real estate finance companies, mortgage brokers and bankers, commercial and residential real estate brokers, home builders, large landowners and sub-dividers of unimproved land, hybrid REITs and timber REITs. The rationale for the exclusions is that factors other than real estate supply and demand, such as interest rates, can influence the market value of these companies.

VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Past performance is no guarantee of future results. Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

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