December 4, 2024

Dear Valued Investor,

Solid gains for stocks gave investors a November to remember. In fact, the S&P 500's more than 5% advance marked its best month of 2024. Several factors played into the stock market's continued move higher. The U.S. economy continued its steady run of solid growth. The Federal Reserve (Fed) cut interest rates as expected, providing some reassurance about the outlook for inflation. Third quarter earnings season was solid, revealing that corporate America still has double-digit earnings power in its bag of tricks. The combination of election clarity and prospects for deregulation and lower taxes from the incoming administration also played a role. Market leadership was also encouraging, as small caps and economically sensitive consumer discretionary and financial sectors led, which may bode well for further gains.

More good news for markets came over the Thanksgiving holiday weekend with promising data for the all-important start to the holiday shopping season. According to Mastercard's SpendingPulse (which measures both online and in-store retail sales), sales rose a solid 3.4% on Black Friday, compared to 2023 levels, driven by a more than 14% increase in online sales. Consumers broadly are still enjoying plenty of spending power thanks to rising wages, low unemployment, and high stock prices – especially those who refinanced mortgages during the pandemic. Add in the recent dip in gas prices and it's likely the shopping momentum will continue through year end.

Looking ahead, more gains could be coming. History reveals that stocks tend to produce above-average gains in December and rise more often than they fall — even after strong gains the month prior. In 2025, continued economic and earnings growth, lower inflation, and potentially more Fed rate cuts position the stock market for further gains. If artificial intelligence investments boost productivity, as many expect, a good year could get even better.

Of course, there are risks. The last bit of excess inflation has been tough to wring out, so markets may need to further reduce expectations for rate cuts. Deficit spending could put upward pressure on long-term interest rates. Tariffs will likely trim company profit margins and be met with additional retaliation. Geopolitical threats cannot be dismissed even after a temporary cease-fire between Hezbollah and Israel and talks of a territory-for-peace deal in Ukraine. Finally, some measures of investor sentiment are getting stretched, so fully allocated investors may want to wait for a dip before adding to equity positions.

As always, please reach out to me with questions.

Sincerely,

Rick Fisher, CFP®

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All data is provided as of December 3, 2024.

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All index data from FactSet.

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