On The Margin

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November 2024 Recap

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PRELUDE

I associate the month of November with the Thanksgiving holiday here in the U.S. For many, the day involves celebrating with family and friends, watching football, and cooking and eating copious amounts of food. The food preparation process is typically the most chaotic aspect of Thanksgiving in our family. Each family member is responsible for making a specific dish, inevitably resulting in a fierce battle for limited stove and oven space in the host's kitchen. However, year after year, different people, ingredients, and cooking times ultimately come together to produce a delicious feast. November proved to be a feast of sorts for U.S. markets as several key ingredients, including U.S. election results and a Federal Reserve rate cut, converged to drive positive returns for U.S. stocks and bonds. While U.S. markets rallied during November, international markets struggled for a second consecutive month and finished in negative territory.

GLOBAL EQUITY

Following a broadly negative October, U.S. equities rebounded in November as most major U.S. equity market indexes rose between +5.9% and +11.0%, cumulatively. The highly anticipated U.S. election took place on November 5th, resulting in a "red wave," as President-elect Donald Trump and the Republican party gained control of the White House and Senate and retained control of the House of Representatives. Following the Republican party's sweeping victory, investor expectations for lower corporate taxes and deregulation drove U.S. equities sharply higher. The S&P 500 returned +5.9% in November, its best monthly return of 2024, amid broad participation from both growth and value stocks. The Financials sector was among the best performers during November as the banking industry benefited more from the prospects of domestic deregulation. Small cap stocks rose sharply for similar reasons, as the Russell 2000 also experienced its most positive monthly return of 2024, up +11.0% and reaching a new all-time high. Aside from the U.S. election results, domestic markets also benefited from another interest rate cut from the Federal Reserve during November, as the central bank cut its benchmark policy rate by 0.25% during the month.

TABLE 1: GLOBAL EQUITY	NOV	QTD	YTD	1 YR
Dow Jones Industrial Average	7.74	6.39	21.21	27.19
S&P 500 Index	5.87	4.91	28.07	33.89
Russell 2000	10.97	9.37	21.58	36.43
Russell 1000 Growth	6.49	6.13	32.19	38.04
Russell 1000 Value	6.39	5.22	22.76	29.56
MSCI ACWI USD	3.74	1.41	20.34	26.12
MSCI EAFE USD	-0.57	-5.97	6.24	11.88
MSCI EM USD	-3.59	-7.88	7.65	11.86
MSCI ACWI ex US USD	-0.91	-5.77	7.62	13.03

Source: Bloomberg, as of 11/30/2024. Past performance does not guarantee future returns.

International markets generated negative returns for a second straight month in November as the U.S. Dollar strengthened again relative to other major currencies, weighing on international equity returns for U.S.-based investors. Developed international markets, as represented by the MSCI EAFE Index, returned -0.6% for the month. The impact of foreign exchange rate movements was particularly notable for developed international markets, as returns were positive in local currency terms but negative in U.S. Dollar terms due to persistent U.S. Dollar strength. Emerging markets underperformed their developed market counterparts in November as the MSCI EM Index returned -3.6%, again due partly to Chinese equity market weakness. Chinese equity markets fell steadily following the U.S. election amid investor concerns about the Republican party's stance toward China, the prospect of additional tariffs on imports from China, and the impact of such tariffs on the

Chinese economy. As a reminder, Chinese equities are the biggest component of the MSCI EM Index at a roughly 27.4% weight, leading their performance to have a meaningful impact on the performance of emerging markets broadly.

FIXED INCOME

The U.S. Treasury yield curve resumed its downward shifting pattern during November, boosting fixed income returns as the Bloomberg U.S. Aggregate rose +1.1%. The decline in U.S. Treasuries was more pronounced in the belly and long end of the curve following President-elect Donald Trump's selection of Scott Bessent as Secretary of the Treasury and escalating geopolitical conflict between Ukraine and Russia. While the short end of the U.S. Treasury yield curve also fell during November partly due to the Federal Reserve cutting interest rates by 0.25%, several stronger-than-expected economic data prints related to consumer confidence and the labor market buoyed short-term rates somewhat versus their longer-dated counterparts. As we enter December, we are eying the Federal Reserve's last meeting of 2024, where markets are pricing in a roughly 66% chance of another 0.25% rate cut. Outside of U.S. Treasury markets, investment grade and high yield corporate bonds also generated positive returns in November as corporate spreads compressed further and remain tight relative to historical averages.

TABLE 2: FIXED INCOME	NOV	QTD	YTD	1 YR
Bloomberg US Aggregate	1.06	-1.45	2.93	6.88
Bloomberg 1-3 Yr Gov/Credit	0.34	-0.23	4.13	5.38
Bloomberg Treasury 5-7 Yr	0.79	-1.97	2.42	5.55
Bloomberg Investment Grade Corp	1.27	-1.17	3.99	8.36
Bloomberg High Yield Corp	1.15	0.60	8.66	12.71
JPMorgan EMBI Global Diversified	1.19	-0.55	8.05	13.16

Source: Bloomberg, as of 11/30/2024. Past performance does not guarantee future returns.

Double clicking on Scott Bessent, we have received several questions about his appointment and its potential impact on fixed income markets going forward. Yields fell after his selection and fixed income markets welcomed Bessent for several reasons in our view, including but not limited to: 1) his background as a hedge fund manager (he worked for several high-profile hedge funds before co-founding Key Square Group in 2015); 2) his subsequent understanding of macroeconomic dynamics and their potential impact on financial markets; 3) his views on utilizing tariffs as economic negotiation tools rather than weapons. We also think it is important to note that Bessent is also a fiscal deficit hawk and may stand against the prospect of significant additional government spending. We are interested to watch Bessent in the Secretary of the Treasury role going forward and see how some of his views may (or may not) conflict with those of President-elect Trump, but markets' initial reaction to Bessent has been encouraging.

POSTLUDE

Throughout the first 10 months of 2024, we constantly discussed our expectations for November to be an eventful period for global markets. The month did not disappoint, as a largely unexpected U.S. election outcome (many thought the race would be more closely contested) helped drive the S&P 500's and Russell 2000's best monthly gains in 2024, while fixed income markets also generated positive results. So, what do we see ahead as we enter December? Aside from the usual batches of economic data and remaining earnings releases, global central banks may come back into greater focus as the Federal Reserve, European Central Bank, and Bank of Japan each meet during the month. While investors seem to expect the Federal Reserve and European Central Bank to cut their respective rates, they also expect the Bank of Japan to raise its benchmark rate. Regardless of what December may provide for investors, the next time we interact with our readers will be in 2025, so we wish you and your loved ones a happy and healthy holiday season, and look forward to sharing our perspectives with you again in the new year.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.