

Philip Blancato, Chief Market Strategist, Osaic

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ECONOMIC REVIEW¹

- The Institute of Supply Management (ISM) Manufacturing Index beat consensus expectations in November and rose to 48.4, its highest reading since June.
 - Despite a higher reading from October, the manufacturing index remains in contraction territory (a reading above 50 indicates expansion, and below 50 indicates contraction) for the eighth consecutive month and has struggled over the last two years.
- The ISM Services Index in November fell below consensus expectations to 52.1. This decline comes off the back of a strong October reading, which marked the index's highest reading since 2022.
 - The index remains in expansion territory despite the lower-than-expected reading.
- Non-farm payrolls rebounded in November and increased by 227,000, above the 200,000 jobs expected.
 - September and October's non-farm payrolls were revised higher by 56,000 jobs after being initially impacted by hurricanes and labor strikes.
 - The unemployment rate rose slightly in November from 4.1% to 4.2%.
 - Job openings in October reversed a downward trend and rose far above expectations to 7.744 million. Job quits also came in above expectations and rose to 3.326 million.

How do ISM Manufacturing and Services data and the recent labor market impact you?

- Services-based industries remain the main driver of economic growth and remain on solid footing while manufacturing activity continues to struggle. The incoming Trump administration will likely focus on bringing more manufacturing production back from overseas to the U.S., which may spur more activity.
- The November labor market report reassured investors that job creation is still expanding after a disappointing initial October report showing the economy only added 12,000 jobs. This most recent report suggests the job market continues to moderate without clear signs of deterioration.
 - Additionally, positive real wage growth is up 4% year-over-year, which indicates that, on average, consumers have more cash in their pockets despite higher prices, which helps support spending in the economy.



A LOOK FORWARD¹

- Investors this week will be primarily focused on November's Consumer Price Index (CPI) and Producer Price Index (PPI) reports along with the NFIB Small Business Optimism Index.

How do CPI and PPI impact you?

- While headline inflation continues to trend towards pre-pandemic levels, core inflation (which excludes volatile food and energy prices) has remained elevated over the last several months, signaling that the battle against inflation isn't over. If November's core inflation reading is higher than expected, it may affect the Federal Reserve's (Fed) interest rate path projections, which imply higher interest rates for consumers and businesses.
- Small business optimism is expected to increase following President-elect Trump's victory in November. The new administration's pro-growth policies, which include tax cuts and deregulation, should boost small business outlook. Smaller-sized companies with domestically focused sales should also benefit from a higher tariff regime than companies that derive a larger part of their sales from overseas.



MARKET UPDATE²

Market Index Returns as of 12/06/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.99%	5.95%	29.34%	34.65%	10.83%	15.94%
NASDAQ	3.36%	9.32%	33.19%	39.49%	9.04%	18.99%
Dow Jones Industrial Average	-0.53%	5.83%	20.57%	25.85%	9.91%	12.03%
Russell Mid-Cap	-0.62%	7.57%	23.31%	30.97%	6.62%	11.90%
Russell 2000 (Small Cap)	-1.02%	8.25%	20.34%	30.73%	3.74%	9.54%
MSCI EAFE (International)	1.71%	-4.37%	8.05%	13.07%	3.61%	6.16%
MSCI Emerging Markets	2.45%	-5.62%	10.29%	16.59%	-1.11%	3.52%
Bloomberg Barclays US Agg Bond	0.45%	-1.01%	3.40%	5.85%	-1.75%	0.12%
Bloomberg Barclays High Yield Corp.	0.42%	1.03%	9.11%	12.24%	3.42%	4.73%
Bloomberg Barclays Global Agg	0.27%	-2.76%	0.73%	3.81%	-3.82%	-1.35%



OBSERVATIONS

- Performance for the three major U.S. large-cap stock indices were mixed last week. The Nasdaq led the advance and returned +3.36%. The S&P 500 trailed behind with a +0.99% gain, and the Dow Jones declined on the week, posting a -0.53% return.
- Small-cap stocks were the worst performer for the week with a -1.02% return and underperformed their large-cap counterparts. Mid-cap stocks also posted a negative return and fell -0.62% on the week.
- International stocks posted positive returns and outperformed the S&P 500 and Dow Jones. Developed markets advanced +1.71%, and emerging markets posted a return of +2.45%.
- Fixed income indices were positive last week as bond yields continued moving lower. The U.S. Aggregate Bond Index led the way and returned +0.45%, while the Global Aggregate Bond Index increased +0.27%. The High Yield Corporate Index also finished positive for the week with a +0.42% return.



BY THE NUMBERS

- **Federal Appeals Court Upholds Law Requiring Sale or Ban of TikTok in U.S.:** A federal appeals court panel on Friday unanimously upheld a law that could lead to a ban on TikTok as soon as next month, handing a resounding defeat to the popular social media platform as it fights for its survival in the U.S. The U.S. Court of Appeals for the District of Columbia Circuit denied TikTok's petition to overturn the law, which requires TikTok to break ties with its China-based parent company ByteDance or be banned by mid-January, and rebuffed the company's challenge of the statute, which it argued had ran afoul of the First Amendment. TikTok and ByteDance, another plaintiff in the lawsuit, are expected to appeal to the Supreme Court, though it's unclear whether the court will take up the case. The U.S. has said it's concerned about TikTok collecting vast swaths of user data, including sensitive information on viewing habits, which could fall into the hands of the Chinese government through coercion.³
- **Syrian Government Collapses, Ending 50 Years of Assad Family Rule:** A rapid advance by Syrian rebel groups on the country's capital has led to the collapse of Bashar al-Assad's control of a nation his family had ruled for half a century. Assad's downfall came less than two weeks after an initial incursion west of the country's second largest city, Aleppo, triggered a cascading series of routs and retreats by the demoralized Syrian military. Crowds celebrated the seismic political shift in the streets of Damascus overnight and into Sunday, as Syrian state television broadcast a statement from a group of rebels who announced that Assad had been deposed. The Russian state news agency, Tass, posted on social media that Assad had landed in Moscow with his family, and would be granted asylum by the Kremlin.⁴

Economic Definitions

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Job Openings and Labor Turnover Survey – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

NFIB Small Business Optimism Index: This index measures the level of confidence and outlook among small business owners regarding economic conditions, business growth, and operating environment. Published monthly by organizations like the National Federation of Independent Business (NFIB), the index tracks factors such as expectations for sales, hiring plans, inventory levels, and economic policy impact. A higher index score indicates greater optimism and positive sentiment about future business conditions, while a lower score signals caution or pessimism among small business owners.

Non-farm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-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.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate 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.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-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.

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Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 12/06/2024.

² Data obtained from Morningstar as of 12/06/2024.

³ [Federal appeals court upholds law requiring sale or ban of TikTok in the US](#)

⁴ [Assad is granted asylum in Russia as rebels seize control of the Syrian capital: NPR](#)

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