WINTHROP WEALTH

NOVEMBER 2024 MARKET RECAP

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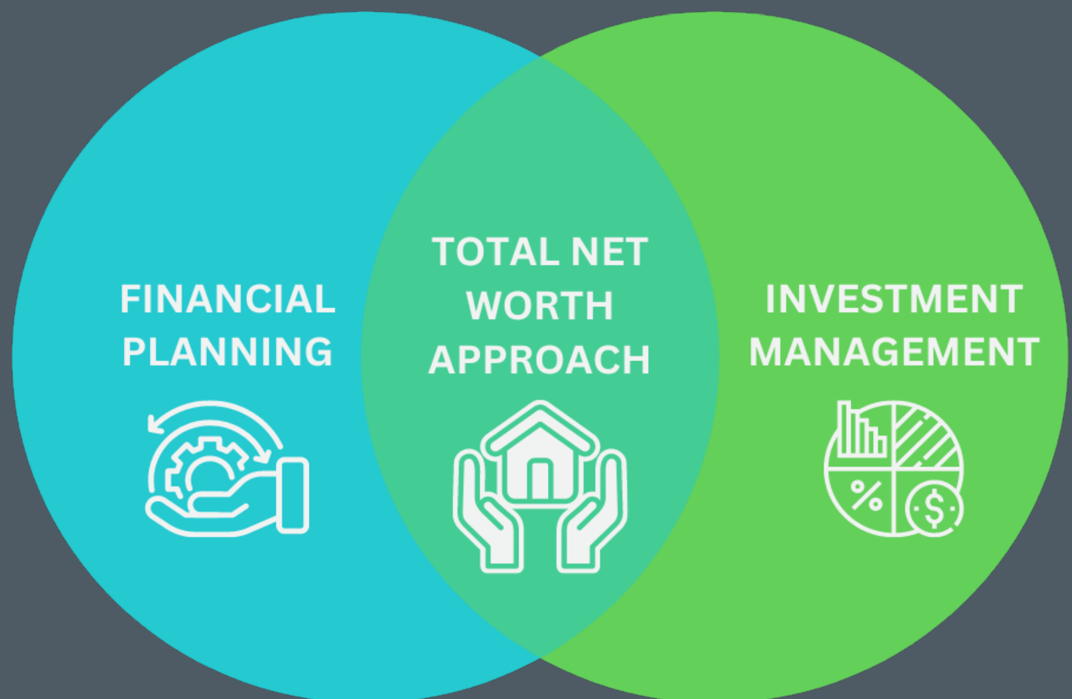

At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *For clients who receive both financial planning and investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

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The market rallied in November as the S&P 500 increased by +5.9% for the best monthly return of 2024. The S&P 500 is now higher by +28.1% year-to-date, and the index is on track for its second consecutive +20% year since 1998-1999. The market also ended November at a new all-time closing high of 6,032. The monthly return was partially due to a decisive election result and anticipation of President-elect Trump's policies under a Republican Congress. Please see our Client Question: Principles for Long-Term Investing.

- **Republican Sweep:** Donald Trump was elected as the 47th President of the United States and Republicans secured control of both the Senate and House of Representatives. The key policy pillars of President Trump's new administration are likely to be taxes, tariffs, and deregulation. Over the past few weeks, we have spoken with clients who are either elated or despondent with the results. Our advice to clients regarding their finances is to focus on what matters and what you can control. Don't let election results cause you to lose sight of your long-term financial goals. Please see our Post-Election commentary.

- **Return of the Trump Trade:** The "Trump Trade" returned in the first few days after the election with stocks, yields, and the dollar all moving higher, and economically sensitive equities outperforming. We've seen several so-called "experts" recommending that investors should make massive changes to their portfolios by rotating toward the Trump Trade. We caution against this type of short-term thinking. In 2016, the Trump Trade worked well for a few weeks. By the following year, the markets returned to focusing on fundamentals rather than guessing the potential impacts of future policy.

- **Scott Bessent - Treasury Secretary:** President Trump selected long-time hedge fund investor Scott Bessent as the next Treasury Secretary. In an interview with the Wall Street Journal, Bessent said his first priority will be to make the 2017 tax cuts permanent. His other areas of focus will be tariffs, spending reduction, and preserving the dollar as the world's reserve currency.

- **Market Caps:** Small-Caps (Russell 2000: +11.0%) outperformed Mid (S&P 400: +8.8%) and Large (S&P 500: +5.9%).

- **Sector Performance:** All eleven sectors were positive for the month with economically sensitive sectors outperforming, including Consumer Discretionary (+13.3%), Financials (+10.3%), and Industrials (+7.5%).

- **Upcoming Catalysts:** BLS Employment (12/6), CPI Inflation (12/11), Retail Sales (12/17), and FOMC Meeting (12/18).

Short-Term Outlook: Our short-term outlook continues to be cautious as the stock market has been on a remarkable run over the last few years with very little volatility. Additionally, it is easy to notice signs of froth, including, stretched valuations, meme coins trading at billion-dollar-plus market caps, MicroStrategy increasing by over +500% this year, and a banana duct-taped to a wall selling for $6.2 million. We suggest maintaining composure and using this period as an opportunity to take profits and maintain allocations near-target levels and to raise funds for any upcoming cash flow needs. Moving forward, we know that market declines are common, and we expect the ride to get bumpier from here. *No strategy assures success or protects against loss.*

Long-term Investment Philosophy: Although our short-term outlook changes based on current conditions, our long-term outlook remains optimistic for investors with both a comprehensive financial plan and investment process. Markets have historically increased over time despite frequent drawdowns as successful corporations have been able to figure out ways to generate profits through advances in innovation and productivity. To capitalize on the power of compounding, we believe in the benefits of staying **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses.

- **Disciplined:** consistently applying our investment process and philosophy, which are grounded in a long-term approach.
- **Opportunistic:** rebalancing, repositioning, and tax-loss harvesting to take advantage of market volatility and dislocations.
- **Diversified:** seeking to ensure that portfolios are properly allocated across and among asset classes to enhance consistency.
- **Mitigate:** striving to avoid unnecessary disbursements, including fees, taxes, and expenses.

In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

All data sourced from Bloomberg as of 11/30/2024

Fixed Income Markets

Interest Rates

Yields initially increased around the election in anticipation that President Trump's policies would increase economic growth, inflation, and debt levels. Yields declined in the last week of the month, ending the period lower after Scott Bessent was nominated as Treasury Secretary. Bessent is a market expert who is not a "tariff-fanatic", and he has identified spending reduction as one of his initial priorities. These are the month-end Treasury yields: 2-Year: 4.15% (-0.02%), 10-Year: 4.17% (-0.12%), 30-Year: 4.36% (-0.12%). The decrease in yields created a tailwind for the fixed income markets as bond prices move inversely to interest rates and credit spreads.

Short-Term Bonds

The Fed influences short-term interest rates by setting the Federal Funds rates. Short-term Treasury yields ended the month at the following levels: 3-Month (4.49%), 6-Month (4.44%), and 12-Month (4.28%). With the Fed expected to continue lowering interest rates, we anticipate that short-term yields will fall further over the next several months.

Investing in short-term Treasuries with +5% yields was a great strategy over the past several quarters, but we believe that opportunity has passed, and investors now face reinvestment risk with lower rates at maturity. We suggest using short-term Treasuries to fund anticipated liabilities, and to invest any excess cash in longer maturities or in a diversified portfolio. *Investing involves risk including loss of principal. No strategy assures success or protects against loss.*

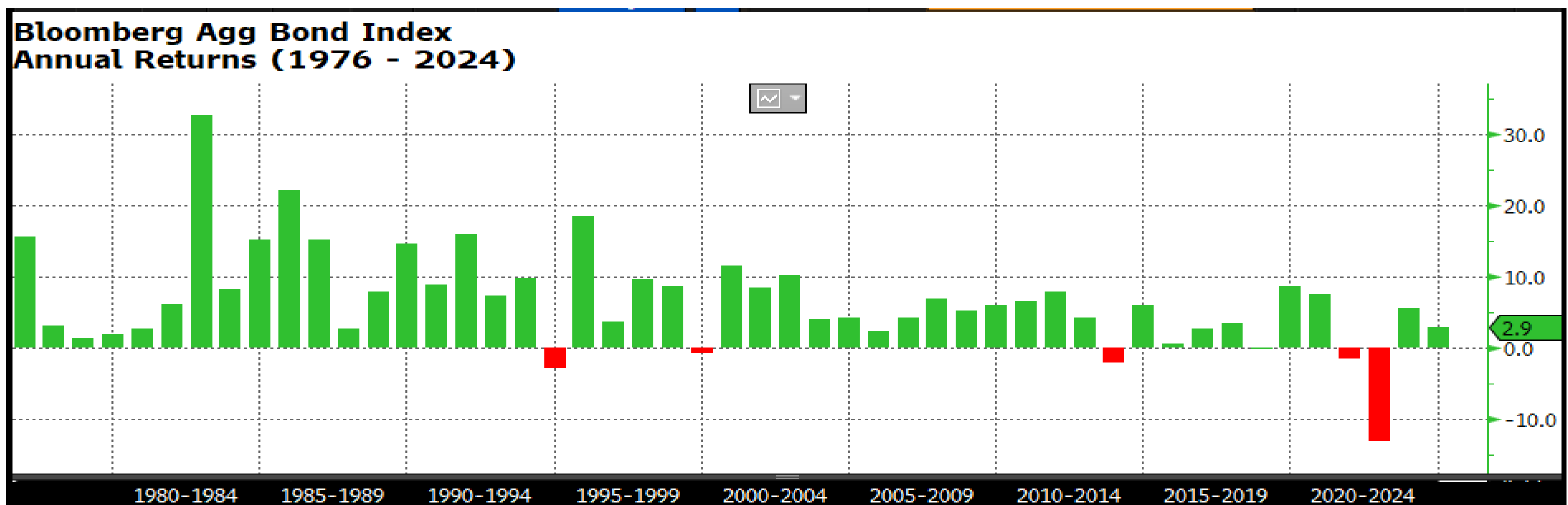
Intermediate-Term Bonds

The Bloomberg US Aggregate Bond index (Agg), which acts as a proxy for the intermediate-term investment-grade bond market, increased by +1.1% due to the decrease in the 10-Year Treasury yield. Year-to-date, the Agg index is higher by +2.9%.

After challenging years in 2021 and 2022 and a tepid start to 2024, we continued to recommend a patient approach for intermediate term bonds. All else equal, we expect intermediate-term bonds to provide both ballast and positive returns once yields either stabilized or decline. We will highlight the following examples:

- **Ballast:** The Agg bond index increased by +2.2% during the equity market selloff from July to August.
- **Positive returns if yields stabilize or decline:** From October 20th, 2023, through the end of the month, the 10-Year yield declined by about -80 basis points while the Agg increased by +12.5%.

In our opinion, intermediate-term bonds remain an attractive investment opportunity, as the yield to maturity on the US Aggregate Bond Index ended November at 4.6%. Yield to maturity is defined as the estimated annualized rate of return an investor can expect on a bond if purchased today and held to maturity, assuming the issuer makes all their interest and principal payments (i.e., no defaults). In our view, patient investors should be optimistic about intermediate-term fixed income returns over the next several years. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*



Source: Bloomberg.

Monetary Policy

We're trying to steer between the risk of [lowering interest rates] too quickly and perhaps undermining our progress on inflation or moving too slowly and allowing the labor market to weaken too much. We're trying to be on a middle path where we can maintain the strength in the labor market while also enabling further progress on inflation.

- Fed Chair Jerome Powell

- **Interest Rates:** At their November meeting, the FOMC lowered the Federal Funds rate by another 0.25%. After lowering interest rates by 0.75% in total this year, the top end of the Federal Funds rate now stands at 4.75%. The FOMC's most recent Summary of Economic Projections (SEP) showed that the median participant expects they will lower rates to 4.4% in 2024 and to 3.4% in 2025. The next FOMC meeting is on December 18th, and right now the market expects another 0.25% rate cut.
- **Balance Sheet – Quantitative Tightening:** The Fed' Quantitative Tightening program is underway as their balance sheet is shrinking by about $60 billion per month. The Fed's balance sheet now stands at slightly below $7.0 trillion, down from a peak of nearly $9 trillion in 2022. The Fed still thinks they can reduce the balance sheet close to its pre-pandemic size.

At the FOMC press conference, Fed Chair Powell was asked whether the election results would affect current monetary policy decisions. Powell responded that the election would have no impact, as the timing and substance of any new policies are unclear. Chair Powell, whose term runs until May 2026, was also pressed repeatedly on whether he would resign if asked by President Trump. Powell responded 'no' to questions about whether the President had the authority to fire him or whether he would step down. We expect Chair Powell to complete his term and for President Trump to nominate someone else to fill the position.

While the Fed is in the early stages of their rate cutting cycle, how fast and deep they ultimately lower interest rates will depend on inflation and the health of the economy. If inflation remains elevated while the economy continues to show strength, expect fewer rate cuts. If the economy shows any sign of material slowing, expect the Fed to begin cutting aggressively.

For investors, the important point is that monetary policy will now become a tailwind for the economy and financial markets. Lower interest rates will provide some relief to cash-strapped consumers and businesses, stimulating overall spending. However, this does not mean that the economy can't weaken further or that financial markets can only go up from here. Fed policy is important, but there are also other critical factors driving the markets. Our view is to expect volatility as recent market performance has been abnormally strong and there are a lot of important catalysts over the next several weeks and months.

US Economy

The U.S. economy is currently on stable footing, but the future trajectory will likely depend on the policies of the new administration. The key policy pillars of President Trump's new administration are likely to be taxes, tariffs, and deregulation. Each of these policies can create cross currents for the markets and economy. Tax cuts are pro-growth, but if the deficit and debt increase further then interest rates will move higher and weigh on the economy. President Trump used the threat of tariffs with some success during his first administration, although this did create market volatility and weigh on the economy. Deregulation can help improve efficiency, but too much creates a wild-west atmosphere. Here are a few indicators we are monitoring to assess the health of the US economy.

- **Real GDP Growth Estimates:** 2024: +2.7%. 2025: +2.1%.
- **Job Gains:** nonfarm payrolls increased by only +12,000 in October. The weakness was mostly expected due to the impact of strikes and Hurricanes Helene and Milton. We will be watching the next employment report closely to see if job gains accelerated in November. *Source: Bureau of Labor Statistics.*
- **Unemployment Rate:** 4.1% in October. The unemployment rate has slowly ticked higher since reaching a 50-year low of 3.4% in January 2023. *Source: Bureau of Labor Statistics.*
- **Retail Sales:** +2.8% year-over-year in October. Consumer spending data is critical as consumption drives about 70% of GDP. *Source: US Census Bureau.*
- **Core PCE Inflation:** 2.8% year-over-year in October. This is the Fed's preferred inflation measure, which they target at an average of 2%. *Source: Bureau of Economic Analysis.*

NOVEMBER 2024 MARKET RETURNS

US Equity											
Index	November	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	5.87%	28.06%	26.26%	-18.13%	28.68%	18.39%	33.07%	11.40%	15.74%	13.32%	10.66%
Russell 3000	6.65%	27.71%	25.93%	-19.22%	25.64%	20.88%	33.33%	10.51%	15.20%	12.87%	10.57%
Dow Jones Industrial Average	7.74%	21.21%	16.18%	-6.86%	20.95%	9.72%	26.10%	11.43%	12.13%	12.15%	10.19%
Nasdaq	6.30%	28.88%	44.70%	-32.51%	22.21%	45.05%	35.36%	8.23%	18.24%	16.06%	12.89%
S&P 400	8.79%	22.63%	16.39%	-13.10%	24.73%	13.65%	30.17%	9.22%	12.56%	10.55%	10.30%
Russell 2000	10.97%	21.57%	16.88%	-20.46%	14.78%	19.93%	32.51%	4.93%	9.86%	9.02%	8.39%
Russell 1000 Growth	6.49%	32.19%	42.67%	-29.14%	27.59%	38.49%	37.47%	10.91%	19.45%	16.53%	12.71%
Russell 1000 Value	6.38%	22.76%	11.41%	-7.56%	25.12%	2.78%	28.08%	10.34%	10.80%	9.30%	8.43%

International Equity											
MSCI Index	November	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
EAFE	-0.57%	6.24%	18.24%	-14.45%	11.26%	7.82%	11.59%	4.14%	5.88%	5.06%	5.16%
Europe	-2.66%	3.26%	22.94%	-17.86%	13.54%	7.89%	7.79%	3.40%	5.63%	4.72%	4.53%
Japan	0.66%	8.68%	20.32%	-16.65%	1.71%	14.48%	12.95%	3.56%	5.31%	6.13%	4.53%
China	-4.44%	16.29%	-11.20%	-21.93%	-21.72%	29.49%	14.95%	-7.91%	-2.40%	1.72%	7.07%
Emerging Markets	-3.59%	7.65%	9.83%	-20.09%	-2.54%	18.31%	12.42%	-1.26%	3.20%	3.16%	6.26%
ACWI ex US	-0.91%	7.62%	15.62%	-16.00%	7.82%	10.65%	12.90%	2.86%	5.40%	4.62%	5.28%

US Fixed Income											
Bloomberg Index	November	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Aggregate	1.06%	2.93%	5.53%	-13.01%	-1.54%	7.51%	5.97%	-1.95%	-0.01%	1.52%	3.14%
Treasury Bills	0.39%	4.90%	5.14%	1.52%	0.04%	0.54%	5.34%	3.84%	2.43%	1.71%	1.60%
Corporates	1.34%	4.14%	8.52%	-15.76%	-1.04%	9.89%	7.72%	-1.65%	0.76%	2.63%	4.14%
Securitized MBS/ABS/CMBS	1.30%	3.06%	5.08%	-11.67%	-1.04%	4.18%	6.28%	-1.50%	-0.23%	1.17%	
High Yield	1.15%	8.66%	13.45%	-11.19%	5.28%	7.11%	12.34%	3.70%	4.71%	5.06%	6.54%
Munis	1.73%	2.55%	6.40%	-8.53%	1.52%	5.21%	4.76%	-0.01%	1.35%	2.45%	3.62%

US Equity Sectors											
Index	November	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Technology	4.65%	35.05%	57.84%	-28.19%	34.52%	43.88%	39.98%	16.51%	25.34%	21.98%	15.50%
Real Estate	4.12%	15.12%	12.35%	-26.13%	46.20%	-2.17%	22.56%	1.74%	6.72%	6.98%	
Industrials	7.51%	27.48%	18.08%	-5.51%	21.10%	11.05%	34.25%	14.40%	13.82%	11.60%	9.83%
Energy	6.93%	16.79%	-1.42%	65.43%	54.39%	-33.68%	16.14%	25.19%	15.63%	5.96%	7.60%
Consumer Discretionary	13.34%	27.10%	42.30%	-37.03%	24.43%	33.30%	33.14%	4.34%	14.19%	13.44%	11.44%
Communication Services	3.10%	35.38%	55.80%	-39.89%	21.57%	23.61%	42.22%	9.13%	14.20%	10.09%	8.76%
Consumer Staples	4.74%	20.89%	0.52%	-0.62%	18.63%	10.75%	23.65%	10.01%	10.18%	8.86%	10.06%
Utilities	3.69%	34.07%	-7.08%	1.56%	17.67%	0.52%	34.95%	11.51%	9.13%	9.71%	9.62%
Materials	1.63%	11.96%	12.55%	-12.28%	27.28%	20.73%	15.72%	5.94%	11.84%	9.02%	8.40%
Financials	10.28%	38.04%	12.10%	-10.57%	34.87%	-1.76%	44.38%	12.63%	13.48%	12.20%	6.11%
Health Care	0.28%	9.37%	2.06%	-1.95%	26.13%	13.45%	13.63%	6.04%	10.15%	9.69%	10.54%
	Calendar Year Returns						Annualized Returns				

Source: Bloomberg

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies pro- moted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 com- panies with lower price-to-book ratios and lower forecasted growth values.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI EM (Emerging Markets) 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 the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI US Broad Market Index captures broad US equity coverage. The index includes 3,204 constituents across large, mid, small and micro capitalizations, representing about 99% of the US equity universe.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

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.

DISCLOSURES

The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated invest- ment grade, and have $300 million or more of outstanding face value.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.

Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.

Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.
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