AMJ Financial Wealth Management

MARKET VIEW WEEKLY

brought to you by Philip Blancato, Osaic's Chief Market Strategist

ECONOMIC REVIEW[1]

- The Consumer Price Index (CPI) increased by 0.3% month-over-month, which aligned with economists' expectations.
    - This increased the annual inflation rate to 2.7%, up from 2.6% in October.
- Core CPI, which excludes food and energy, also rose by 0.3% month-over-month, maintaining a 3.3% year-over-year increase.
- The Producer Price Index (PPI) rose by 0.4% month-over-month, surpassing the anticipated 0.2% increase.
    - This led to a 3.0% year-over-year rise, the highest since February 2023.
- Core PPI, which excludes food and energy, increased by 0.2% month-over-month, and 3.4% annually.

How do CPI and PPI impact you?

- Moderating consumer price trends suggests that consumer purchasing power is holding steady, supporting broader economic stability, and sustained demand in key sectors.
- Increased producer prices could lead to higher costs for businesses, potentially slowing growth if these costs are passed on to consumers or squeeze profit margins.
- Diverging trends in consumer and producer prices create uncertainty for future Federal Reserve actions, which could impact borrowing costs and economic activity across industries.

A LOOK FORWARD[1]

- A packed schedule of economic reports is set for release this week, featuring Retail Sales, Housing Starts, Building Permits, Existing Homes Sales, the FOMC's December rate decision, Personal Consumption Expenditures, and the University of Michigan Sentiment Index.

How does this week's slate of economic data impact you?

- Retail sales data provides insight into consumer spending, a key driver of economic growth. Strong data may indicate robust consumer confidence benefitting sectors like consumer discretionary, while weak numbers could signal potential economic slowdowns.
- Housing indicators provide a comprehensive view of real estate market health and economic momentum. Strong housing starts and building permits reflect builder optimism and future construction activity while existing home sales highlight consumer demand and affordability.
- The Federal Reserve is expected to announce a 0.25% rate cut, aiming to support economic growth by reducing borrowing costs for businesses and consumers. This move could stimulate equity markets, lower fixed income yields, and impact currency valuations, with investors closely monitoring the Fed's statement for future monetary policy direction.
- The Fed's preferred inflation gauge, Personal Consumption Expenditures (PCE), is projected to show a modest increase, indicating that inflation remains above the Fed's 2.0% target. This persistent inflation suggests that the Fed may adopt a more cautious approach to future interest rate cuts, potentially impacting borrowing costs and investment decisions.
- Consumer sentiment is expected to improve, reflecting greater optimism about current economic conditions, which could boost consumer spending.

MARKET UPDATE[2]

Market Index Returns as of 12/13/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.61%	5.30%	28.55%	29.99%	11.01%	15.62%
NASDAQ	0.36%	9.71%	33.67%	35.97%	10.23%	18.86%
Dow Jones Industrial Average	-1.78%	3.95%	18.43%	19.83%	9.42%	11.52%
Russell Mid-Cap	-2.33%	5.06%	20.43%	21.27%	6.59%	11.30%
Russell 2000 (Small Cap)	-2.55%	5.49%	17.27%	18.92%	4.31%	8.91%
MSCI EAFE (International)	-1.52%	-5.83%	6.41%	8.34%	3.59%	5.48%
MSCI Emerging Markets	0.25%	-5.38%	10.57%	14.20%	-0.67%	2.84%
Bloomberg Barclays US Agg Bond	-1.38%	-2.37%	1.97%	2.49%	-2.20%	-0.21%
Bloomberg Barclays High Yield Corp.	-0.22%	0.80%	8.87%	10.01%	3.44%	4.53%
Bloomberg Barclays Global Agg	-1.24%	-3.97%	-0.52%	0.46%	-4.23%	-1.70%

OBSERVATIONS

- Performance for the three major U.S. large-cap stock indices was mixed last week. The Nasdaq led the trio and returned +0.36%. Meanwhile, the S&P 500 and Dow Jones declined, posting -0.61% and -1.78%, respectively.
- Small-cap stocks were the worst performer for the week with a -2.55% return, while Mid-cap stocks also posted a negative return and fell -2.33%.
- Developed international markets declined -1.52% and emerging markets eked out a positive week, returning +0.25%.
- Fixed income indices were negative last week as bond yields moved higher. The U.S. Aggregate Bond Index declined -1.38%, while the Global Aggregate Bond Index fell -1.24%, reflecting the impact of rising yields on investment grade fixed income markets domestically and globally.
  - The Bloomberg High Yield dropped -0.22%, showcasing relative resilience compared to investment grade bonds due to its higher risk and higher yield profile.

BY THE NUMBERS

- **Colorado two-way star Travis Hunter wins 2024 Heisman Trophy.:** Colorado two-way star Travis Hunter won the 2024 Heisman Trophy Award on Saturday night in New York City. Hunter, who plays both wide receiver and cornerback, garnered 552 first-place votes for 2,231 total points. Boise State running back Ashton Jeanty finished in second place with 309 first-place votes and 2,017 points. The 214-point margin is the closest in a Heisman race since 2009, when Mark Ingram beat out Toby Gerhart by 28 votes. Hunter totaled 80.14% of the points, the 11th-highest in Heisman Trophy history. Oregon quarterback Dillon Gabriel and Miami (Fla.) quarterback Cam Ward finished third and fourth, respectively.[3]

- **How much snow did New York get? See the latest snowfall totals:** More than two feet of snow is already on the ground in parts of New York, with up to 3 feet of lake effect snow expected in some areas. With numerous weather alerts underway, including in Monroe County, a state of emergency was issued for the areas expected to be most heavily hit. Schools have shuttered for the day, and snow and high winds sparked travel restrictions on roads, including a portion of the New York State Thruway. The snowiest part of New York is in Erie County, where snow is falling at a rate of 2 to 3 inches per hour, said Meteorologist Jim Mitchell of the National Weather Service in Buffalo. So far, 30 inches of snow fell in Orchard Park and 28.6 inches was tallied in Hamburg, and another 25 inches of snow was measured in Attica, Wyoming County.[4]

Economic Definitions

Building Permits: This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

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.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services.

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

Federal Reserve Open Market Committee (FOMC): The FOMC is a group within the Federal Reserve that makes decisions about U.S. monetary policy. It sets key policies such as interest rates, and the money supply, to promote stable prices, maximum employment, and economic growth.

Housing Starts: Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

Personal Consumption Expenditures (PCE) (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

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).

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100).

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.

Disclosures

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[1] Data obtained from Bloomberg as of 12/13/2024.
[2] Data obtained from Morningstar as of 12/13/2024.
[3] Colorado two-way star Travis Hunter wins 2024 Heisman Trophy | foxsports.com
[4] How much snow did New York get? | democratandchronicle.com