



NOVEMBER 11, 2024

Weekly Note

Orion OCIO On What Wall Street Is Wondering About, Worrying Over, Or Wishing For This Week...

What a Week ... and What to Make of What a Week

Our apologies for telling you what you already know ...

- On November 5th, Donald Trump won the White House, and the Republicans took the Senate (and seem poised — as of this writing — to keep the House).
- On November 6th, U.S. equities rallied sharply; in fact, the S&P 500, Russell 2000, NASDAQ, and Dow Jones Industrial Average all hit 52-week highs (see below).
- The U.S. Dollar also caught a bid, but bond prices moved lower as the yield on the U.S. 10-Year Note hit a 3+ month high of 4.48%.
- Then on November 7th, the Federal Reserve — as expected — announced a quarter point rate cut, bringing the Fed Funds Rate down to a range of 4.50% to 4.75%.
- For the week, U.S. stocks finished meaningfully higher, with the S&P 500, Russell 2000, NASDAQ, and Dow Jones gaining 4.7%, 8.5%, 5.7%, and 4.6%.
- Ex-U.S. equities lagged with the MSCI EAFE Index off about 0.6% and the MSCI EM Index up about 1% on the week, while a late-week rally for bonds helped the Bloomberg Aggregate gain 0.8%.

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- Part of the big pop in U.S. equities on the 6th was likely driven by the decisive nature of Donald Trump's election win ... markets hate uncertainty and Wall Street — and much of America and the world — was worried about a contested election.
- That certainty likely pulled money — both from here at home and from overseas — into the U.S. market, pushing stock prices sharply higher.
- Beyond that, Wall Street seems to be pricing in what has become known as “The Trump Trade,” an outlook for the economy and markets built around an assumed extension of the 2017 tax cuts, incremental tax cuts, deregulation, tariffs, and substantial deficit spending.
- Such a construct could boost U.S. economic growth, the U.S. dollar, and “animal spirits” — but also inflation and bond yields — and could see U.S. stocks find favor — particularly smaller, more domestic-facing companies — while traditional fixed income and ex-U.S. equities could struggle.
- The Fed — having guided to a 25bps rate cut at the November meeting — would have been very reluctant to not move rates lower last week, even in the face of what has been generally better than expected economic data of late (especially following so close on the election). The Fed has also guided to a 25bps rate cut at its December meeting; however, an accelerating economy and rising bond yields could call into question the path forward for interest rates.
- Finally, it is a bit early to discern what a second term for President Trump might mean for the markets and economy through 2025 and beyond. That said, we do know that we have moved past an incredibly contentious election; we are in the seasonally strong stretch for the markets; stocks tend to rally coming out of a presidential election; and corporate profits and the economy have generally been outperforming expectations. We remain optimistic on the U.S. market into year-end.

Index	Ti	Last	Chg	%Chg	High	Low	52Wk High	52Wk H Date
Major Indices								
S&P 500	↑	5,929.04	146.28	2.53%	5,936.14	5,864.89	5,936.14	11/6/2024
Russell 2000	⬆	2,392.92	132.08	5.84%	2,393.85	2,300.98	2,393.85	11/6/2024
NASDAQ Composite	↓	18,983.47	544.29	2.95%	19,000.50	18,730.21	19,000.50	11/6/2024
DJ 30 Industrials Average	↑	43,729.93	1508.05	3.57%	43,778.78	42,850.40	43,778.78	11/6/2024

Source: FactSet (11/6/2024)

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The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.

The Russell 2000 is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small-cap stocks.

The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks.

The Dow Jones Industrial Average (DJIA) is a price weighted index of 30 of the largest, most widely held stocks traded on the New York Stock Exchange.

The MSCI Emerging Markets (or EM) Index is an index which tracks performance of international equity securities in developed countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada.

The MSCI EAFE Index is a composite index which tracks performance of international equity securities in 21 developed countries in Europe, Australia, Asia, and the Far East.