



WEEK OF NOVEMBER 18, 2024

# Market Update

Consumer and producer inflation picked up in October. A reversal of the election rally and sector rotation related to the new administration were two major themes for equities. The 10-year Treasury yield rose 17.5 basis points (bps) on stronger-than-expected inflation and economic data.

## Quick Hits

- 1. Report releases:** Consumer and producer inflation increased in October.
- 2. Financial market data:** Markets give back some of the post-election rally amid rising inflation data.
- 3. Looking ahead:** The focus will be primarily on housing market data; the week will wrap Friday with the University of Michigan consumer sentiment survey.



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## Report Releases: November 11–15, 2024

### Consumer Price Index (CPI): October (Wednesday)

Year-over-year consumer inflation ticked up, in line with economist and market expectations.

- Prior monthly CPI/core CPI growth: +0.2%/+0.3%
- Expected monthly CPI/core CPI growth: +0.2%/+0.3%
- Actual monthly CPI/core CPI growth: +0.2%/+0.3%
- Prior year-over-year CPI/core CPI growth: +2.4%/+3.3%
- Expected year-over-year CPI/core CPI growth: +2.6%/+3.3%
- Actual year-over-year CPI/core CPI growth: +2.6%/+3.3%



### Producer Price Index (PPI): October (Thursday)

Headline and core producer inflation increased more than expected on a year-over-year basis.

- Prior monthly PPI/core PPI growth: +0.1%/+0.2%
- Expected monthly PPI/core PPI growth: +0.2%/+0.2%
- Actual monthly PPI/core PPI growth: +0.2%/+0.3%
- Prior year-over-year PPI/core PPI growth: +1.9%/+2.9%
- Expected year-over-year PPI/core PPI growth: +2.3%/+3.0%
- Actual year-over-year PPI/core PPI growth: +2.4%/+3.1%



### Retail Sales: October (Friday)

Retail sales came in slightly above estimates, due in part to rising auto sales.

- Expected/prior month retail sales monthly change: +0.3%/+0.8%
- Actual retail sales monthly change: +0.4%



### Industrial Production: October (Friday)

Industrial production fell, largely due to falling capacity utilization and manufacturing production.

- Expected/prior month production change: -0.4%/-0.5%
- Actual production change: -0.3%



### >> The Takeaway

- Consumer and producer inflation picked up in October.
- Retail sales were stronger than expected.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-2.05%	2.97%	24.55%	32.19%
Nasdaq Composite	-3.13%	3.27%	25.21%	33.45%
DJIA	-1.17%	4.10%	17.11%	26.59%
MSCI EAFE	-2.56%	-2.36%	4.90%	12.56%
MSCI Emerging Markets	-4.45%	-3.04%	8.70%	13.52%
Russell 2000	-3.96%	4.95%	14.98%	29.72%

Source: Bloomberg, as of November 15, 2024

Equity markets reversed some of their post-election rally as inflation concerns resurfaced in the form of stronger-than-expected economic data. Sectors that are historically higher risk and higher growth saw the largest reversals, including emerging markets, small-caps, and technology stocks. We saw sector rotations in financials, energy, and health care based on potential policies from the newly elected administration. Financials and energy were the top performing sectors, whereas health care fared worst.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.87%	1.33%	7.12%
U.S. Treasury	-1.82%	0.66%	5.47%
U.S. Mortgages	-1.96%	1.18%	7.61%
Municipal Bond	-0.35%	1.46%	6.69%

Source: Bloomberg, as of November 15, 2024

The Treasury yield curve beyond the 2-year steepened, with the long end of the curve being the most notable. Yields lifted on stronger inflation data. Retail sales were also stronger than expected. Consequently, short-term rates may remain elevated, with fewer rate cuts expected in the first part of 2025.

### >> The Takeaway

- A reversal of the election rally and sector rotation related to the new administration were two major themes in equities.
- The 10-year Treasury yield rose 17.5 bps on stronger-than-expected inflation and economic data.

## Looking Ahead

The focus this week will primarily be on housing market data.

- On Monday, the **NAHB Housing Market Index** for November will be released. Home builder confidence is expected to fall slightly.
- **Housing starts and building permits** for October are expected Tuesday. Housing starts are set to fall and permits are expected to rise.
- On Thursday, we expect **existing home sales** data for October. The pace of existing home sales is set to improve modestly after falling more than expected the previous month.
- Finally, on Friday, the **University of Michigan consumer sentiment survey** for November will be released. Expectations are for a slight increase from the preliminary November survey, which was 73.





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companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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