



MARKET WEEK

December 23, 2024

The Markets (as of market close December 20, 2024)

Key Dates/Data Releases

12/24: Durable goods orders, new home sales

12/27: International trade in goods

Despite a late-week rally, stocks tumbled lower last week as Wall Street appears to be limping into the new year. Each of the benchmark indexes lost value, with the Russell 2000 falling nearly 4.5%. For much of the week, investors seemed to move from risk, particularly in light of the Federal Reserve's revised projection of fewer interest rate reductions in 2025. The decline in equities was broad-based, with each of the market sectors ending the week in the red, with real estate, energy, and materials falling the furthest. Bond yields reached a near seven-month high. Crude oil prices declined on concerns over waning demand. The dollar reached a two-year high earlier in the week, while gold prices ended the week lower.

Wall Street saw the week before Christmas get off to a rousing start. Tech stocks boosted the market prior to the Federal Reserve's upcoming meeting. The NASDAQ gained 1.2%, the Russell 2000 added 0.7%, and the S&P 500 climbed 0.4%. The Dow and the Global Dow each fell 0.3%. Yields on 10-year Treasuries slipped minimally to 4.39%. Crude oil prices fell 1.0% to settle at \$70.58 per barrel. The dollar and gold prices declined 0.1% and 0.2%, respectively.

Stocks could not maintain the momentum garnered from the prior day as each of the benchmark indexes listed here lost value, led by the Russell 2000, which declined 1.2%. The Dow declined 0.6%, marking its ninth straight loss, which is its longest losing streak since 1978. The Global Dow fell 0.5%, while the S&P 500 and the NASDAQ dipped 0.4% and 0.3%, respectively. Ten-year Treasury yields remained at 4.39%. Crude oil prices fell to \$70.20 per barrel. The dollar inched up 0.1%, while gold prices dropped 0.3%.

Stocks plunged last Wednesday as investor sentiment was dampened following news that the Federal Reserve projected fewer interest rate cuts in 2025 than previously suggested (see below). The Russell 2000 fell 4.4%, followed by the NASDAQ (-3.6%), the S&P 500 (-3.0%), the Dow (-2.6%), and the Global Dow (-2.1%). Ten-year



Treasury yields gained nearly 11.0 basis points to reach 4.49%. Crude oil prices dipped to \$70.00 per barrel. The dollar gained 1.0%, while gold prices declined 2.0%.

The Dow barely eked out a gain last Thursday to end its longest losing streak in 50 years. Stocks generally slid lower for the second straight session. The Global Dow declined 1.0% and the Russell 2000 lost 0.4%, while the S&P 500 and the NASDAQ each dipped 0.1%. Long-term bond values followed Wednesday's decline by falling again on Thursday, lifting 10-year Treasury yields up 7.6 basis points to 4.57%. Crude oil prices slid 1.0%, settling at about \$69.85 per barrel. The dollar advanced for the third consecutive day, while gold prices declined for the fourth day in a row.

Stocks bounced back last Friday as the latest inflation data came in slightly below expectations (see below). The Dow gained 1.2%, the S&P 500 rose 1.1%, the NASDAQ advanced 1.0%, and the Russell 2000 climbed 0.9%. The Global Dow advanced 0.6%. Ten-year Treasury yields fell 4.6 basis points. Crude oil prices ticked up 0.1%. The dollar fell 0.6%, while gold prices gained 1.3%.

Stock Market Indexes

Market/Index	2023 Close	Prior Week	As of 12/20	Weekly Change	YTD Change
DJIA	37,689.54	43,828.06	42,840.26	-2.25%	13.67%
Nasdaq	15,011.35	19,926.72	19,572.60	-1.78%	30.39%
S&P 500	4,769.83	6,051.09	5,930.85	-1.99%	24.34%
Russell 2000	2,027.07	2,346.90	2,242.37	-4.45%	10.62%
Global Dow	4,355.28	4,991.65	4,844.06	-2.96%	11.22%
fed. funds target rate	5.25%-5.50%	4.50%-4.75%	4.25%-4.50%	-25 bps	-100 bps
10-year Treasuries	3.86%	4.39%	4.52%	13 bps	66 bps
US Dollar-DXY	101.39	106.98	107.82	0.79%	6.34%
Crude Oil-CL=F	\$71.30	\$71.11	\$69.49	-2.28%	-2.54%
Gold-GC=F	\$2,072.50	\$2,666.90	\$2,641.80	-0.94%	27.47%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- The Federal Reserve cut interest rates by 25.0 basis points, the third rate cut this year, while projecting two more rate cuts for 2025, which is fewer than previously indicated. In support of its decision, the Fed noted that the economy has expanded at a solid pace, labor conditions have eased, and inflation has progressed toward the Fed's 2.0% target objective, although it remained somewhat elevated. According to Fed Chair Jerome Powell, the central bank may proceed at a slower pace, partly because it has already lowered rates substantially and also due to the uncertain path inflation may take, coupled with potential policy changes under President-elect Trump.
- The personal consumption expenditures (PCE) price index ticked up 0.1% in November following 0.2% increases in both September and October. Excluding food and energy, the PCE price index



rose 0.1%. Since November 2023, prices rose 2.4%. Excluding food and energy, prices increased 2.8%. It appears that price volatility in food and energy costs is the primary contributor to the overall increase in consumer prices. Personal income and disposable (after-tax) personal income each rose 0.3% last month. Personal consumption expenditures, a measure of consumer spending, rose 0.4% in November.

- According to the third and final estimate, gross domestic product advanced 3.1% in the third quarter, 0.1 percentage point above the estimate for the second quarter. The increase in GDP primarily reflected increases in consumer spending (3.7%), exports (9.6%), nonresidential fixed investment (4.0%), and federal government spending (8.9%). Imports, which are a negative in the calculation of GDP, increased to 10.7%. The personal consumption expenditures (PCE) price index increased 1.5%, the same as previously estimated. Excluding food and energy prices, the PCE price index increased 2.2%. Gross domestic income (GDI) increased 2.1% in the third quarter, a downward revision of 0.1 percentage point from the previous estimate. The average of GDP and GDI, a supplemental measure of U.S. economic activity that equally weights GDP and GDI, increased 2.6% in the third quarter.
- Retail sales rose 0.7% in November and 3.8% over the last 12 months. Retail trade sales were up 0.9% last month and 4.1% from last year. The November increase in retail sales was largely attributable to a 2.6% advance in sales from motor vehicle & parts dealers and a 1.8% increase in nonstore (online) retail sales. Food & beverage store sales (including grocery store sales) declined 0.2% in November. For the year, nonstore retail sales rose 9.8%, motor vehicle & parts dealers sales increased 6.5%, sales from food & beverage stores advanced 1.8%, department store sales increased 1.4%, while gasoline station sales fell 3.9%.
- Industrial production moved down 0.1% in November after declining 0.4% in October. In November, manufacturing output rose 0.2%, boosted by a 3.5% increase in the index for motor vehicles and parts. The indexes for mining and utilities fell 0.9% and 1.3%, respectively. Total industrial production in November was 0.9% below its year-earlier level. Capacity utilization stepped down to 76.8% in November, a rate that is 2.9 percentage points below its long-run (1972-2023) average.
- The number of issued residential building permits rose 6.1% in November but were 0.2% below the November 2023 rate. Issued building permits for single-family homes ticked up 0.1% last month but were 2.7% under the estimate from a year earlier. Housing starts declined 1.8% in November and 14.6% below the November 2023 estimate. Single-family housing starts were 6.4% above the prior month's total but 10.2% under the November 2023 figure. Housing completions in November were 1.9% below the October estimate but were 9.2% above the November 2023 rate. Single-family housing completions in November were 3.3% above the October rate and 7.0% above the estimate from a year ago.
- Existing home sales grew by 4.8% in November from the prior month. Over the last year, sales of existing homes rose 6.1%. Unsold inventory sat at a 3.8-month supply last month, down from 4.2 months in October but up from 3.5 months in November 2023. The median existing home price in November was \$406,100, down marginally from the October estimate (\$406,800) but up 4.7% from one year ago (\$387,800). Single-family home sales increased 5.0% in November and 7.4% from November 2023. The median existing single-family home price was \$410,900 in November, down from \$411,700 in October but up 4.8% from November 2023 (\$392,200). According to Freddie Mac,



the 30-year fixed-rate mortgage averaged 6.6% as of December 12. That's down from 6.69% one week ago and 6.95% one year ago.

- The national average retail price for regular gasoline was \$3.016 per gallon on December 16, \$0.008 per gallon above the prior week's price but \$0.037 per gallon less than a year ago. Also, as of December 16, the East Coast price ticked down \$0.008 to \$2.991 per gallon; the Midwest price increased \$0.076 to \$2.884 per gallon; the Gulf Coast price fell \$0.041 to \$2.562 per gallon; the Rocky Mountain price rose \$0.053 to \$2.839 per gallon; and the West Coast price decreased \$0.042 to \$3.785 per gallon.
- For the week ended December 14, there were 220,000 new claims for unemployment insurance, a decrease of 22,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended December 7 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended December 7 was 1,874,000, a decrease of 5,000 from the previous week's level, which was revised down by 7,000. States and territories with the highest insured unemployment rates for the week ended November 30 were New Jersey (2.5%), California (2.3%), Washington (2.2%), Alaska (2.1%), Minnesota (2.1%), Rhode Island (1.9%), Nevada (1.8%), Puerto Rico (1.8%), Illinois (1.7%), Massachusetts (1.7%), Montana (1.7%), New York (1.7%), Oregon (1.7%), and Pennsylvania (1.7%). The largest increases in initial claims for unemployment insurance for the week ended December 7 were in California (+14,411), Texas (+10,011), New York (+8,926), Illinois (+7,426), and Georgia (+6,119), while the largest decreases were in North Dakota (-788) and Delaware (-163).

Eye on the Week Ahead

There isn't much in the way of important economic data during Christmas week, and trading customarily slows down. The report on the manufacture of durable goods for November is worth noting. New orders for durable goods are indicative of how busy factories will be in the coming months. In October, new orders rose 0.2%, driven mostly by a bump in transportation.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates).

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