Summary

The market finished higher after last Friday's stronger-than-expected employment report, with the S&P 500 and NASDAQ seeing the highest gains.

The ISM Manufacturing Index exceeded expectations at 48.4%, indicating contraction in that sector may be slowing. The Non-Manufacturing Index fell below expectations to 52.1% compared to the estimated 55.5%, indicating a slowing of expansion in the services sector. The trade balance deficit fell more than expected, contracting to -$73.8 billion, with imports decreasing by more than $14 billion.

Unemployment increased slightly to 4.2%, as expected, with 224,000 initial jobless claims at the end of November. In the week ending November 30, 9,000 initial claims were filed. At the end of the month, the four-week moving average totaled 218,250, falling from the moving average at the beginning of the month of 227,000. Continuing claims decreased by 25,000 to 1.871 million in the week ending November 23. Nonfarm payrolls increased beyond expectations to 227,000—a recovery from the dip in October due to hurricanes and the Boeing strike. Additionally, average hourly earnings increased by 0.4% in November.

The preliminary reading of the University of Michigan Index of Consumer Sentiment for December increased to 74.0 from November's final reading of 71.8. This report indicates that consumers may be purchasing durables goods now to avoid potentially higher prices in the future.

Next week's findings in the consumer price index (CPI) and the producer price index (PPI) will play a role in setting the federal funds target rate when the Federal Open Market Committee (FOMC) meets December 17-18. At present, members of the FOMC have suggested they will continue to cut the rate by 25 basis points, and the employment report has supported their ability to do so. However, the results of the CPI and PPI reports, as well as November retail sales growth, will give further information on the potential outcome of the meeting.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
ISM Manufacturing Index (Nov – Mon 10:00)	48.4%	47.6%	
Construction Spending (Oct – Mon 10:00)	+0.4%	+0.1%	
Factory Orders (Oct – Wed 10:00)	+0.2%	NA	
ISM Non-Manufacturing Index (Nov – Wed 10:00)	52.1%	55.5%	
Initial Claims (11/30 – Thu 08:30)	224K	213K	
Continuing Claims (11/23 – Thu 08:30)	1,871K	NA	
Trade Balance (Oct – Thu 08:30)	-$73.8B	-$75.1B	
Nonfarm Payrolls (Nov – Fri 08:30)	227K	200K	
Nonfarm Private Payrolls (Nov – Fri 08:30)	194K	200K	
Avg. Hourly Earnings (Nov – Fri 08:30)	+0.4%	+0.3%	
Unemployment Rate (Nov – Fri 08:30)	4.2%	4.2%	
Average Workweek (Nov – Fri 08:30)	34.3	34.3	
U. of Michigan Consumer Sentiment - Prelim (Dec – Fr 10:00)	74.0	73.5	November: 71.8
Consumer Credit (Oct – Fri 15:00)	$19.2B	$10.5B	
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
Productivity-Rev. (Q3 – Tue 08:30)	2.2%	2.2%	
Unit Labor Costs-Rev. (Q3 – Tue 08:30)	1.9%	1.9%	
CPI (Nov – Wed 08:30)	+0.3%	+0.2%	
Core CPI (Nov – Wed 08:30)	+0.3%	+0.3%	
Treasury Budget (Nov – Wed 14:00)	NA	-$257.0B	
Initial Claims (12/07 – Thu 08:30)	220K	224K	
Continuing Claims (11/30 – Thu 08:30)	NA	1,871K	
PPI (Nov – Thu 08:30)	+0.3%	+0.2%	
Core PPI (Nov – Thu 08:30)	+0.2%	+0.3%	

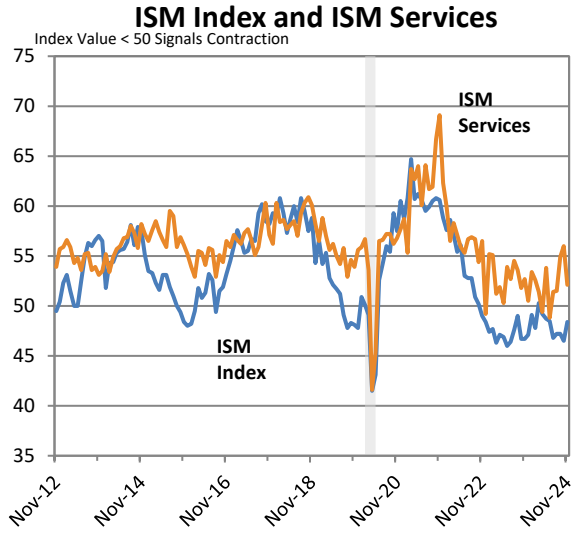
Sources: www.briefing.com and www.federalreserve.gov

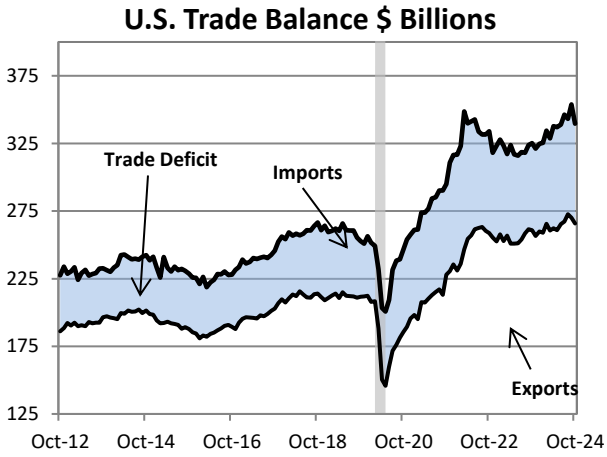
Economic Review

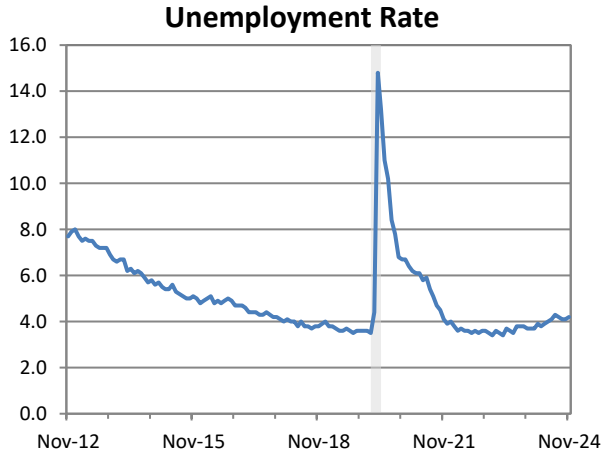
The November ISM MANUFACTURING INDEX checked in at 48.4%, a 2-percentage point increase from 46.5% in October. This is the highest value since July, indicating that while sector activity is still in contraction, it is doing so at a slower pace. The New Orders Index increased to 50.4 from 47.1 in October, crossing the 50.0% threshold determining between expansion and contraction. This is the first time in seven months that the New Orders Index has been in expansion. The ISM NON-MANUFACTURING INDEX fell 4 percentage points to 52.1% in November from 56.0% in October. While still in expansion, the rate has slowed due to falling rates in new orders, employment, and a contraction in supplier deliveries. Tariff concerns were frequently mentioned among respondents when considering their outlook, potentially contributing to the slower rate of expansion in the services sector.

The TRADE BALANCE narrowed from $83.8 billion in September to $73.8 billion in October. Exports fell by $4.3 billion and were driven by a $3.9 billion decrease in exports of capital goods, a $2.7 billion decrease in exports of automotive vehicles, parts and engines, and a $2.5 billion decrease in exports of industrial goods. Imports decreased by $14.3 billion, driven largely by a $7.5 billion decrease in the import of capital goods. Imports of industrial supplies and materials additionally decreased by $3.3 billion, consumer goods decreased by $2.0 billion, and automotive-related imports fell by $1.6 billion. The real goods deficit decreased to $92.4 billion, which is 2.9% less than the third quarter average. The report indicates an overall weakness in global trade activity in October.

The UNEMPLOYMENT RATE increased slightly in November to 4.2% from 4.1% in October. Those unemployed for 27 weeks or more account for 23.2% of the unemployed, a 0.3 percentage point increase from October. The U6 unemployment rate, accounting for underemployed and unemployed workers, increased by 0.1 percentage point. The labor force participation rate decreased to 62.5% from 62.6%. While not a large divergence from October's measurements, unemployment increased in November, but not outside of expected levels. Depending on next week's CPI and PPI reports, the current unemployment rate gives the Federal Reserve cover to cut the target range for the federal funds rate by another 25 basis points in the upcoming FOMC meeting.







Fed Speeches

In the upcoming December Federal Open Market Committee (FOMC) meeting, members will meet to discuss potentially cutting the Federal Funds rate by an additional 25 basis points. The FOMC has made an ongoing effort to reduce inflation to a 2% target, while also keeping the economy and labor market strong.

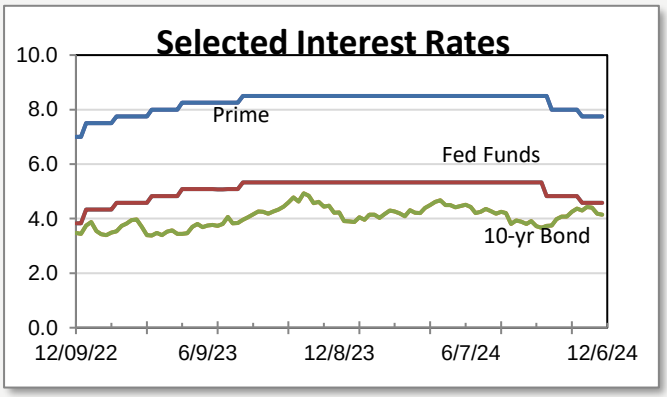
The Federal Reserve has been easing its monetary policy, and since September has cut the rate by 75 basis points, a trade-off to stimulate economic growth at the hindrance of reducing inflation. Whether the rate will continue to be cut in this month's upcoming meeting is unclear. In a speech at the American Institute for Economic Research Monetary Conference, Federal Reserve Governor Christopher Waller noted that inflation may be stalling at a level above the 2% goal. However, Waller notes that this may not cause the FOMC to change course:

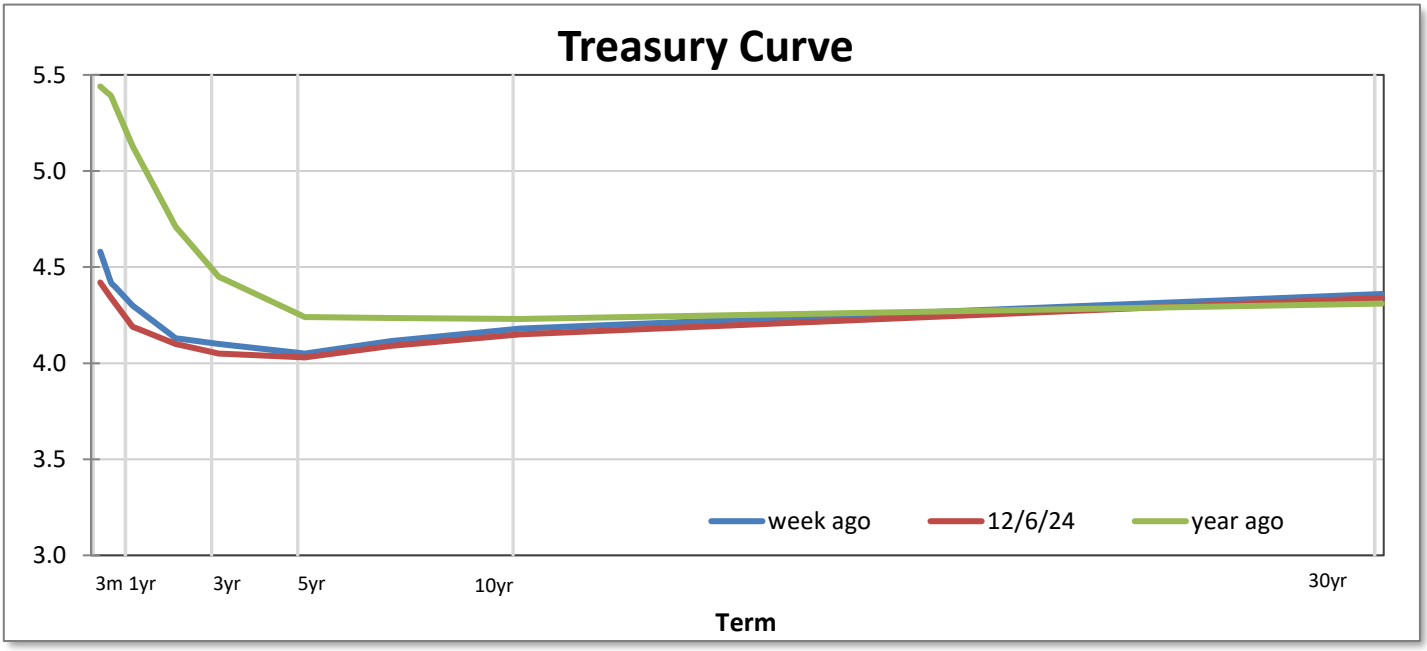
"Policy is still restrictive enough that an additional cut at our next meeting will not dramatically change the stance of monetary policy and allow ample scope to later slow the pace of rate cuts, if needed, to maintain progress toward our inflation target."

The employment report, the upcoming CPI and PPI indices, and the upcoming November retail sales data will inform the decision-making of the committee and inform if changes are needed in the following months.

Financial Markets

Following the publishing of the employment report by the BLS, NASDAQ closed at a new all-time high, increasing 3.3% from the previous week. The S&P 500 also did well, seeing its 57th record high closing record for 2024, advancing 1% from the previous week. The Dow Jones Industrial Average fell 0.6%. Oil prices continue to fall, decreasing 1.3% from last week and 8.9% over the last 13 weeks. All municipal bonds decreased this week, the largest drop being the 30-year Conventional Mortgage bond by 12 basis points. All treasuries also fell this week with the 3-month short term treasury falling 16 basis points, following a 13-week trend which has seen a 71 basis points reduction.





Interest Rate Forecast*

During the Fed's November policy meeting, the Federal Open Market Committee (FOMC) cut the federal funds target rate by 25 bps to 4.50% to 4.75% while continuing to reduce its holding of Treasury securities. In the statement released following the meeting, the FOMC said, "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
3rd Qtr. '24	7.81	4.69	4.69	4.40	4.13	4.30	4.47	6.57
4th Qtr	7.41	4.29	4.28	4.24	4.06	4.33	4.41	6.35
1st Qtr '25	7.09	3.96	3.95	4.05	3.93	4.23	4.32	6.20
2nd Qtr	6.67	3.54	3.53	3.63	3.76	4.05	4.16	6.00
3rd Qtr	6.25	3.13	3.11	3.24	3.37	3.73	4.05	5.78

December 2024

FINANCIAL MARKET SUMMARY

	As of 12/06/2024	As of 11/29/2024	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.75	7.75	0	0	(75)
Secured Overnight Financing Rate (SOFR)	4.59	4.59	0	(1)	(76)
Fed Funds (Wed close)	4.58	4.58	0	0	(75)
TREASURIES (BE) (Changes in BPs)					
3 Months	4.42	4.58	(16)	(21)	(71)
6 Months	4.34	4.42	(8)	(8)	(35)
1 Year	4.19	4.30	(11)	(13)	9
2 Years	4.10	4.13	(3)	(16)	44
5 Years	4.03	4.05	(2)	(17)	53
10 Years	4.15	4.18	(3)	(15)	43
30 Years	4.34	4.36	(2)	(13)	31
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.54	2.58	(4)	(12)	12
5-Year Muni	2.56	2.61	(5)	(15)	15
10-Year Muni	2.78	2.83	(5)	7	15
30-Year Muni	3.47	3.53	(6)	(30)	(9)
30-Year Conventional Mortgage	6.69	6.81	(12)	(10)	34
MARKET INDICATORS (Changes in %)					
DJIA	44,642.52	44,910.65	(0.6)	1.5	10.7
S&P 500	6,090.27	6,032.28	1.0	1.6	12.6
NASDAQ	19,859.77	19,218.17	3.3	3.0	19.0
CRB Futures	343.29	343.72	(0.1)	2.0	8.5
Oil (WTI Crude)	67.11	68.00	(1.3)	(3.4)	(8.9)
Gold	2,633.37	2,643.15	(0.4)	(1.9)	5.5
Yen / Dollar	150.00	149.77	0.2	(2.0)	2.6
Dollar / Euro	1.06	1.06	(0.1)	(1.4)	(4.7)

