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Market Update

(all values as of 12.31.2024)

Stock Indices:

Dow Jones	42,544
S&P 500	5,881
Nasdaq	19,310

Bond Sector Yields:

2 Yr Treasury	4.25%
10 Yr Treasury	4.58%
10 Yr Municipal	3.13%
High Yield	7.27%

YTD Market Returns:

Dow Jones	12.88%
S&P 500	23.31%
Nasdaq	28.64%
MSCI-EAFE	4.10%
MSCI-Europe	2.10%
MSCI-Pacific	6.60%
MSCI-Emg Mkt	7.60%
US Agg Bond	1.25%
US Corp Bond	2.13%
US Gov't Bond	1.18%

Commodity Prices:

Gold	2,638
Silver	29.28
Oil (WTI)	71.80

Currencies:

Dollar / Euro	1.04
Dollar / Pound	1.25
Yen / Dollar	157.46
Canadian /Dollar	0.69

Macro Overview

Uncertainty leading up to the presidential election brought about volatility in the equity markets while bonds were weighed by a resurgence in inflation fears. Equity and fixed income markets will digest the outcome of the election over the next few weeks, in anticipation of more detailed and concise fiscal policy objectives by the elected administration.

Fiscal policy, expanding federal deficits, and continued issuance of tremendous government debt drove bond yields higher in October. The expectation of deregulation and low corporate tax rates drove equities higher in response to the election results.

The financial aftermath of Hurricanes Milton and Helene were made apparent by economic and employment data released in October, revealing a slowdown in consumer activity and dismal jobs growth. The affects of the hurricanes were felt nationwide as distribution routes, energy facilities, and travel were hindered.

Mortgage rates rose for the fifth week in a row, ending October with a 6.72% average rate for a 30 year fixed mortgage. The average rate had fallen to 6.08% at the end of September, then steadily began to rise as bond yields rose throughout the month.

Concerns surrounding a resurgence of inflationary pressures weighed on the equity and bond markets, elevating yields throughout October. Proposed tariffs on imported goods as well as discussions to weaken the U.S. dollar, continued debt issuance by the U.S. government, and rising insurance premiums, food costs, housing and energy expenses, all fed inflation fears.

Proposals of imposing new tariffs on imports is directed at countering the nation's expanding trade deficit. A trade deficit results as the U.S. imports more than it exports, placing a strain on the nation's economic expansion. Imports into the U.S. in 2023 were valued at $3.83 trillion, while exports were valued at $3.05 trillion in 2023. Tariffs may adversely increase prices for consumers as companies pass along the costs of tariffs, which is considered to be inflationary.

As the Presidential Inauguration approaches in January 2025, the equity markets have been at various levels throughout the decades. Fiscal policy as well as programs structured to enhance economic growth have been crucial to the expansion and stability of equities and the economy for over a hundred years. A historical measure of how the equity markets have performed and grown throughout numerous administrations can be tracked by the Dow Jones Industrial Average. (Sources: Treasury, Fed, Univ. of Michigan, CBO, FreddieMac, NOAA)

President	Inauguration Date	Dow Jones Average
William Taft	March 4, 1909	59
Herbert Hoover	March 4, 1929	313
Harry Truman	April 12, 1945	158
John F Kennedy	January 20, 1961	634
Gerald Ford	August 9, 1974	777
Ronald Reagan	January 20, 1981	950
Bill Clinton	January 20, 1993	3241
George W Bush	January 20, 2001	10587
Barack Obama	January 20, 2009	7949
Donald Trump	January 20, 2017	19827
Joe Biden	January 20, 2021	31188

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WEALTH MANAGEMENT

Markets React To Post Election Results – Domestic Equity Overview

The S&P 500 Index had its best post-election day in history, rising 2.5% on November 6th. The expectation of deregulation and low corporate taxes drove stocks higher as election results fueled equity prices higher.

Equity indices struggled in October as uncertainty surrounding the outcome of the election and the fate of taxes for corporations lingered throughout the month. Only three of the eleven sectors of the S&P 500 Index were positive for the month. Historically, higher tax rates for corporations can lead to decreased earnings and capital investment.

U.S. equities remain supported with tepid economic expansion and broadening earnings across all sectors, yet uncertainties surrounding the current budget deficit, trade, and the dollar may not be resolved until after the elected administration takes office. (Sources: S&P, Dow Jones, Reuters, Bloomberg)

Long Term Yields Rise Leading Up To Election – Fixed Income Update

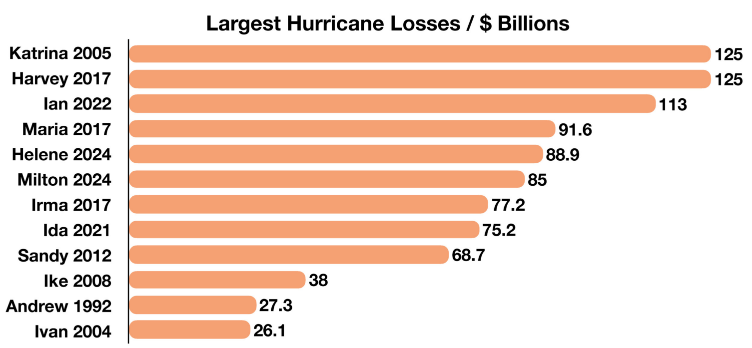
Anticipation of economic growth policies proposed during the campaign prompted the possibility of elevated inflationary pressures, driving bond yields higher. Many of the proposed policies will require Congressional approval before being enacted.

The Treasury market reacted to the growing concern surrounding an expanding government deficit and the massive issuance of federal debt to fund current and future deficits. As a result, longer term Treasury bond yields rose implying that stubborn federal deficits may continue for years.

The yield on the benchmark 10 year Treasury bond rose to 4.28% at the end of October, up from 3.81% at the previous month end. Short term bond yields rose less as the Fed prepares to continue cutting the Fed Funds rate as projected. (Sources: U.S. Treasury)

Largest Hurricane Losses – Insurance Overview

As flood waters recede in the south and eastern seaboard states, Hurricane Helene is on track to be one of the costliest natural disasters in U.S. history. Not since Hurricane Harvey in 2017, and Katrina which ravaged Louisiana in 2005, have insurance companies been levied with billions of dollars in settlement claims.



Moody's estimates a total of $20 billion to $34 billion in losses from the damage caused by Hurricane Helene. Other insurance industry estimates run higher, with the inclusion of uninsured businesses and individuals. The storm inflicted widespread damage across numerous states, destroying and crippling power facilities, agriculture, roads, bridges, water reclamation, schools, and business operations among various industries. Historically, rebuilding efforts following natural disasters such as hurricanes, has led to pockets of economic growth. The enormous cost of Katrina in 2005 led to hundreds of millions of dollars for rebuilding homes, roads, buildings, and re-establishing businesses. (Sources: NOAA, Dept. of Commerce, Moody's)

Subscription Cancellations Are Now Easier Due To New FTC Rule – Regulations

In order to address the difficulty and annoyance of canceling unwanted subscriptions and memberships, the Federal Trade Commission (FTC) adopted new rules to protect consumers and facilitate the cancellation process. The FTC plans to impose fines and penalties to those vendors that don't comply or fail to fulfill the required mandates.

The FTC's "Click-to-Cancel" rule is aimed at making it easier for consumers to cancel unwanted subscriptions and memberships by requiring businesses to provide a cancellation process that is at least as easy as the sign-up process.

If consumers signed up online, they must be able to cancel online without having to interact with a representative. For phone sign-ups, a telephone cancellation option must be available during business hours at no additional cost.

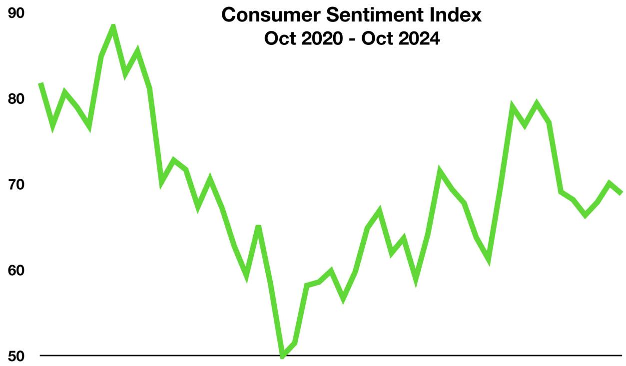
The "Click-to-Cancel" rule takes full effect 180 days after publication in the Federal Register of the FTC, which is expected to be around April 14, 2025. (Source: Federal Trade Commission)

Why Consumer Confidence Is Falling – Consumer Behavior

Jobs and income weigh heavily on consumer confidence, as the ability to pay essential expenses have become more burdensome for millions of Americans. Consistent inflationary pressures continue to drain consumers while leaving less for discretionary expenditures, such as eating out and movies.

Consumer sentiment fell for the first time in three months as frustrations with lingering inflation and a weakening employment market pressured consumers to redirect their funds and cut certain expenses.

Some economists believe that the uncertainty surrounding the presidential election has also been a factor over the past few months, as future tax rates and economic growth remained elusive and not defined. (Sources: University of Michigan)



Where Taxes May Head & The Future of The Tax Cuts and Jobs Act – Tax Policy

What taxes may look like heading into 2025 will be a challenge for individual taxpayers. The Tax Cuts and Jobs Act (TCJA), which passed in 2017, made tax rate cuts for businesses permanent, but tax cuts for individuals are scheduled to expire at the end of 2025. With the newly elected administration, it is expected that the tax cuts and provisions will become permanent with Congressional approval.

The Tax Cuts and Jobs Act became effective on January 1, 2018, modifying tax rates for single and married tax payers. Certain deductions were either capped or eliminated, including the deduction for state and local income tax, sales tax, and property taxes, known as the "SALT deduction" which was capped at $10,000 per tax year. The standard deduction nearly doubled, from $12,700 to $24,000 for married couples, and from $6,350 to $12,000 for individual filers. (Sources: IRS, Tax Foundation)

Market Reaction To Election Results and How To Interpret Them – Political & Fiscal Policy Overview

Trump's second term as President is not expected to mimic his first term. Several major events have reshaped the nation and the financial landscape since Trump's first term when he came into office in 2017. Some of the primary developments and events since then have been the pandemic, the invasion of Ukraine by Russia, the conflict in the Middle East, an expanding global trade war, inflation, rising rates, and a larger federal deficit.

What Trump Has Proposed For His Second Term:

Full Extension of the Tax Cuts & Jobs Act (TCJA) Due to Expire at the end of 2025

Eliminate Tax on Tips

Eliminate Tax on Social Security

Eliminate Tax on Overtime Pay

Expand The Child Tax Credit to $5,000

Lower Drug Prices & Accelerate Efforts to Privatize Medicare, including reducing hospital payments for outpatient care

New Deductions For Car-Loan Interest

New Deductions For Home Generators

Special Tax Rate For Domestic Manufacturers

Modify the State & Local Tax Deduction, or SALT, which Republicans capped at $10,000 in 2017 (congressional Republicans would likely try to raise the SALT cap to at least $20,000).

Impose a 10% tariff on all imports, with a 60% tariff on Chinese imports

Weaker Dollar To Expand U.S. Exports Abroad

Deregulation of Various Industries

Historically, deregulation has positively impacted regional banks by easing lending guidelines and allowing for more loans. Deregulation has also benefited energy and utility companies by allowing them to expand and build new or improve existing facilities, as well as seek and acquire additional fuel reserves. Tariffs have historically been considered inflationary, yet any newly imposed or modified tariffs will need to be approved by Congress.

What policies are actually approved and enacted by Congress can differ from campaign rhetoric and what was proposed on the campaign trail, so any market reactions to the election results and prior to the actual passage of legislations, may not be indicative of where markets could be headed in the longer term.

Sources: https://www.donaldjtrump.com/platform, https://www.donaldjtrump.com/issues