CORRIGAN FINANCIAL, INC.

Market Update: November 2024

U.S. stocks delivered their best monthly returns of the year in November. Large domestic companies, as measured by the S&P 500 Index, gained 5.9% for the month, while smaller domestic companies, with total returns of 11%, were the big winners. U.S. stocks have now registered returns of just over 27% year-to-date.

Foreign stock values, in contrast to their U.S. counterparts, saw declines of about 1% for the month. Foreign equities have returned 7.6% over the past eleven months.

> **Diversification is always a sensible approach in face of uncertainty. Portfolios should be ready for a range of scenarios. Because the future rarely resembles the past, the case for holding a broad set of assets is strong.**
>
> **Dan Lefkovitz, Morningstar Magazine – Fourth Quarter 2024**

Overall, global bond markets have been relatively flat for the entire year. While domestic bonds have returned 2.93% year-to-date, foreign bond markets remain in negative territory. The benchmark 10-year U.S. Treasury yield ended the month at 4.192%, down slightly from the previous month.

The election of Donald Trump has investors anticipating tax cuts and deregulation, and with the 2017 tax reform scheduled to expire at the end of 2025, the new administration will be forced to *hit the ground running*. Add in projected interest rates cuts, and you have the perfect blueprint for boosting corporate profits. The markets are currently pricing in a 60% chance that the Federal Reserve will cut interest rates by a quarter point again in December.

The overall U.S. economic backdrop remains solid. Initial jobless claims are at a seven-month low, the Fed's preferred inflation gauge came in as expected, and the latest estimate on third quarter real gross-domestic-product growth came in at 2.8%, also matching expectations.

Stock market gains and Fed rate cuts have helped to bolster consumer confidence. Holiday spending this season is projected to reach a record high, according to the National Retail Federation.

Luxury brands, however, have lost more than 10% of their customers since 2022, according to consulting firm Bain. The number of units sold by the luxury industry is projected to decline by over 20% this year.

> **Despite challenges, this season reflects a broader economic trend: slowing but not stalling. As winter sets in, consumer spending is cooling but remains far from frosty – underscoring the resilience of the U.S. economy as we head into 2025.**

J.P. Morgan Asset Management – Market Insights 11/25/24

Sales of existing homes rose 3.4% in October from the previous month. From a year earlier, sales are up 2.9% … the first year-over-year increase in sales since July 2021. It should be acknowledged that the October data reflects decisions made in September and August when mortgage rates were at recent lows.

> **It is an odd and confusing season for home buyers. Mortgage rates are causing whiplash, falling to a two-year low in the late summer and then rebounding, making it more expensive to buy a home.**

Nicole Friedman – WSJ 11/28/24

The national median existing-home price was $407,200 in October, an increase of 4% from a year earlier. Home sales for all of 2024 are still expected to be at the lowest level since 1995.

People are accepting that the mortgage rates, the new normal, is not going to be 3% or 4% or 5%.

Lawrence Yun, National Association of Realtors – WSJ 11/21/24

The collapse of China's epic property boom continues to haunt their economy. Cities across the country are struggling to pay their debts, as traditional sources of income – mostly land sales – have all but dried up. About 12,000 worker protests over unpaid wages have occurred nationwide this year … up from 700 and 900 in 2022 and 2021, respectively.

Beijing has reported that local government debt levels stood at the equivalent of $2 trillion last year. Not surprisingly, economists estimate the combined debt to be somewhere between $7 trillion and $11 trillion.

For years, local governments used complex state-owned funding vehicles that borrowed on their behalf, often to finance projects with little economic benefit. Across China, there are railroads with too few commuters, industrial parks with no tenants and even a ski resort in an area with little snow.

Miao/Feng – WSJ 11/29/24

President-elect Donald Trump has promised to impose 25% tariffs on Canada and Mexico, as well as an additional 10% duty on Chinese imports. Economists at the Budget Lab at Yale calculate such tariffs could increase U.S. consumer prices by 0.75% next year, or approximately $1,000 in lost purchasing power per U.S. household.

Import-reliant businesses would face higher costs, while exporters could experience retaliatory tariffs. Rising prices could lead to higher inflation, which could ultimately affect the timing of Fed rate cuts.

> **We anticipate that some version of the China tariff will be implemented, but for now assume that tariffs on the rest of the world will be more limited in scope.**
>
> **J.P. Morgan Chase – WSJ 11/26/24**

President Trump initiated tariffs on many Chinese imports in 2018. Since then, Mexico has surpassed China as the main source of U.S. imports. Products from China accounted for 14% of all U.S. imports last year, the lowest share in almost twenty years.

> **Companies big and small have moved production from China to other manufacturing hubs such as Mexico, Vietnam, Taiwan and Malaysia. However, many of the goods arriving from factories in Mexico and Vietnam still include components that originate in China.**
>
> **Inti Pacheco – WSJ 11/25/24**

With stock values on the rise, investors will need to consider rebalancing their portfolios. For example, a simple 60/40 policy of stocks and bonds at the beginning of the year would have morphed into a 65/35 portfolio mix by now.

Selling winners and buying losers can be stressful for some investors … not to mention the potential tax consequences. Still, we can all agree that it's better to *unemotionally and consistently* sell high and buy low. Emotional and undisciplined trading, more often than not, has investors buying at high points and selling at low points.

> **As fun as it's been to watch stocks soar, it's time too for a reality check: Your portfolio may now be out of whack, and if the party gets ugly, you'll be happy to have left a little early.**
>
> **Elizabeth O'Brien – Barron's 11/27/24**

With domestic stock values continuing to climb, the ten largest U.S. companies now make up 20% of the entire world stock market value. In contrast, concerns about inflation and budget deficits are pushing up interest rates, which could eventually have a damaging impact on all asset valuations.

> **The old tug-of-war between stocks and bonds, long dormant in the days of zero interest rates, has finally returned. Stocks are winning, but bonds may have the last word … The cage match between stocks and bonds will shape the next four years.**

Andy Kessler – WSJ 11/24/24

Market exuberance sometimes can lead to irrational behavior. You might have heard about the *artwork* that recently sold for $6.2 million. The buyer was a cryptocurrency operator. The *artwork* consisted simply of a banana affixed to a wall by duct tape.

> **The world has gone bananas.**

Randall W. Forsyth – Barron’s 11/22/24

Let’s end with some parting thoughts from our friends at T. Rowe Price:

> **Change is constant, but in some periods, it occurs more dramatically than in others. We believe the world is currently undergoing transition at a pace and scale rarely seen before.**
>
> **As we navigate this new equilibrium, our portfolio construction themes argue for greater diversification across asset classes.**

Eric Veiel, T. Rowe Price – 2025 Global Market Outlook

I hope you all have a happy and healthy Christmas season.

Daniel G. Corrigan, CPA/PFS, CFP®