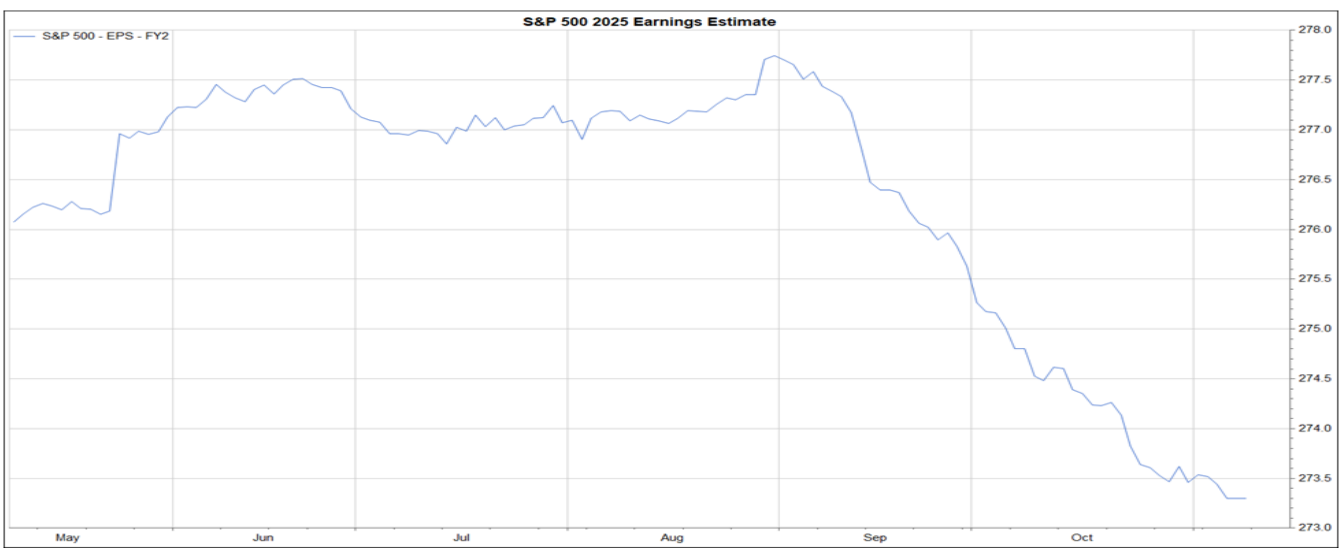
Market Update

NOVEMBER 2024

"Clearing the Decks"

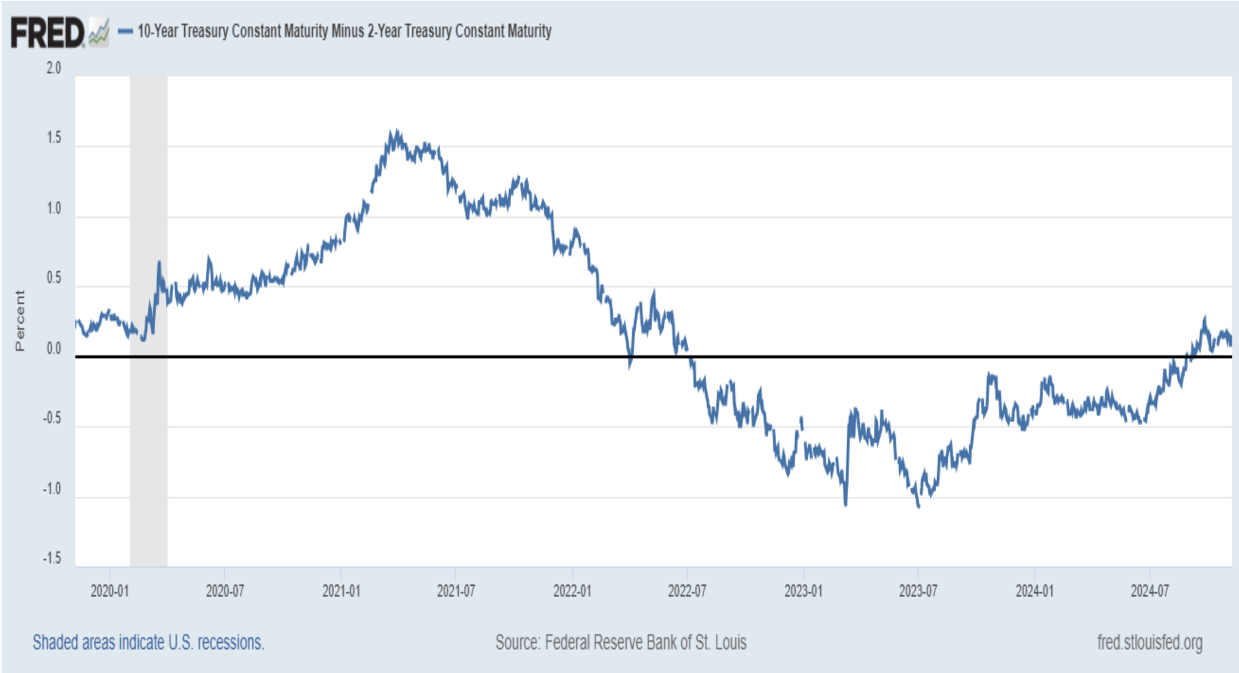
Index	Oct. 2024*	YTD 2024*
S&P 500	(0.9%)	21.0%
Russell 2000	(1.4%)	9.6%
Bloomberg AGG Bond	(2.5%)	1.9%
MSCI World, Ex-US	(1.3%)	11.5%

The commentary this month has been purposefully delayed until after the U.S. elections and most recent Federal Reserve rate decision. The likeliest outcome of the elections is a republican sweep of all three branches of government, with only the leadership of the House of Representatives yet to be determined. Moreover, the Federal Reserve provided very little in the way of new information in cutting the Fed Funds rate by 25 basis points. Given elevated levels of market volatility prior to the first week of November, price moves for stocks and bonds since have been, in aggregate, benign. Stock prices rallied on hopes of easier regulations, lower taxes, and a yield curve beneficial to bank earnings, while bond yields rose on expected inflationary impacts from tariffs and government deficits.



SOURCE: FACTSET DATA

With these important events now behind the markets, it is time to refocus on micro-level fundamentals, primarily assessing how potential new government policies will impact corporate earnings growth, margins and cash flow. As the chart above illustrates, 2025 earnings estimates for the S&P 500 have declined nearly 2% over the last six months while the index is making new highs. Part of this is the inevitable deceleration of growth coming from the AI boom. With all the "Magnificent Seven" stocks having reported, save for NVIDIA coming later in November, 2025 growth rates are still quite good, just not as "hot" as 2024. Predictably, tariff impacts on corporate earnings were suddenly front and center on earnings conference calls for many sectors and industries. While the devil remains in the details, playbooks from 2017 are being dusted off and corporate managements have highlighted pandemic-related changes to global supply chains as mitigating factors. Generally speaking, rising prices into decelerating earnings growth bears watching.



The other notable change happening is the beginning of a normalization trend whereby as the Fed lowers short term interest rates, longer term rates remain at current levels or even rise. Rates on the two-year treasury note are now below rates on the ten-year note for the first time since June of 2022, by some measures the longest inversion on record. This normalization has favored shorter-duration positioning for bond portfolios and will likely continue if the Federal Reserve continues to lower short term rates absent a recession and further improvements in rates of inflation.

There is an old saying on Wall Street…."Markets climb a wall of worry." As election and interest rate uncertainty sort themselves out, other areas of concern remain elevated - namely geopolitical risks, corporate earnings growth, and inflation. These risks never preclude markets from climbing higher. As always, the best clues and cues come from corporate management teams whose eyes and ears are much closer to end-markets than any investor could be. As per J.P. Morgan, third quarter 2024 earnings results have thus far broadly met or cleared expectations, as 84% of S&P 500 companies reporting have beaten consensus EPS estimates by an average of six percent. On an absolute basis, third quarter S&P500 earnings are on track to grow a healthy seven percent year-over-year. The U.S. consumer remains robust, while U.S. manufacturing activity certainly paused through the summer months. It's precisely in these environments Seacoast Wealth Management clients benefit from the diversified, high-quality approach employed by your investment team.

As always, we appreciate the opportunity to work with you, and if you have any questions, please do not hesitate to reach out to your Seacoast Wealth Management Associate.

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Sources: JP Morgan Asset Management; NASDAQ; FactSet; Bloomberg; Broadridge: *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). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit* *risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks.*