

Rising Tide Is Lifting All Boats

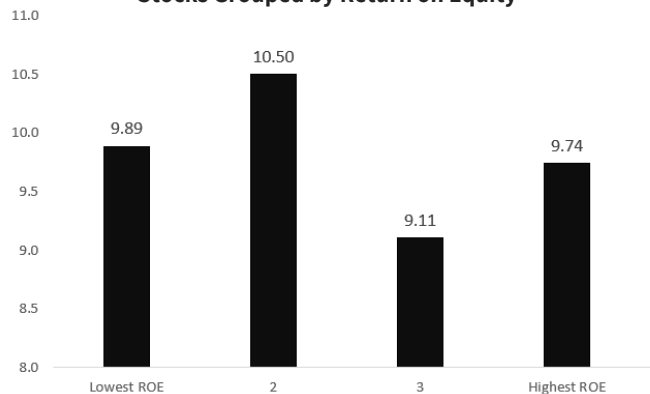
U.S. stocks have delivered strong returns over the past month, with the stocks in the Russell 3000 Index posting an average gain of 9.87%.¹ Robust corporate earnings, supported by a strong economy, were a key driver of this performance ahead of the U.S. presidential election. Following the election, the rally has broadened as markets anticipate an easing regulatory environment and potential tax cuts. While these factors are likely to support U.S. stock returns and earnings into next year, a closer look suggests a growing complacency in valuing company fundamentals.

Sustained earnings growth and profitability are vital for long-term stock performance. However, over the past month, the market appears to be valuing profitable and unprofitable companies equally—if not favoring the latter. Stocks with negative return on equity (ROE) have delivered returns similar to those with the highest ROE. While such episodes of strong performance by companies with weak fundamentals are not uncommon, they often lack durability.

The broadening rally is a positive development for what has been a concentrated market. Even so, as guardians of wealth, maintaining a disciplined focus on fundamentals is not optional. Ultimately, the market will anchor stock returns to the strength of underlying fundamentals.

CHART OF THE WEEK

**One Month Average Return
Stocks Grouped by Return on Equity**



Russell 3000, total return from November 4 through December 3, 2024.
¹ Data from Bloomberg for commentary and chart above.

Index Returns (%)							Index Characteristics				
Equities	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld
S&P 500	6047	1.03	5.17	28.39	33.41	11.74	25.6	16.8	3.2	1.7	1.2
Russell 1000 Growth	4045	1.89	7.08	33.37	38.69	12.35	34.4	19.8	6.0	2.0	0.6
Russell 1000 Value	1951	-0.26	4.67	22.13	27.42	9.63	20.0	15.0	2.0	1.4	2.0
FTSE High Dividend Yield*	473	-0.31	4.51	22.62	28.18	10.95	15.2	14.3	1.6	1.6	3.9
S&P Small and Mid Cap	18822	-0.77	7.95	21.18	29.90	8.21	20.9	19.0	1.4	1.2	1.5
MSCI EAFE	2347	1.17	-5.77	7.04	12.45	5.05	14.9	14.7	1.5	1.1	3.0
MSCI EM	1098	-0.51	-7.08	8.88	13.75	-0.64	13.5	12.5	1.5	1.3	2.6

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income							Levels				
	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	Currencies	Last	1 Wk Ago	Prev YE	3 Yrs Ago
U.S. Aggregate	4.67	0.55	-1.38	2.79	5.82	-2.11	DX	106.37	107.01	101.33	96.12
U.S. Int. Gov/Credit	4.41	0.36	-0.97	3.58	5.42	-0.06	\$ per €	1.05	1.05	1.10	1.13
U.S. Corporates	5.06	0.68	-0.97	4.07	7.65	-1.87	\$ per £	1.27	1.26	1.27	1.32
High Yield	7.12	0.29	0.71	8.83	12.52	3.61	¥ per \$	149.60	153.08	141.04	112.80
Municipals (1-10)	3.03	0.39	-0.04	1.95	3.49	0.52					

Key Rates							Levels				
	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	Commodities	Last	1 Wk Ago	Prev YE	3 Yrs Ago
2-yr Treasury	4.18	4.26	3.64	4.25	4.64	0.59	Oil (WTI)	69.94	68.77	69.94	59.71
10-yr Treasury	4.19	4.31	3.78	3.88	4.26	1.35	Gasoline	3.04	3.07	3.12	3.37
30-yr Treasury	4.36	4.48	4.12	4.03	4.41	1.68	Natural Gas	3.04	3.43	2.51	4.13
SOFR	4.64	4.58	4.96	5.38	5.37	0.05	Gold	2643	2633	2063	1783
6-mo. CD rate	4.48	4.52	4.41	5.28	5.53	0.32	Copper	9173	8884	8464	9486
Prime Rate	7.75	7.75	8.00	8.50	8.50	3.25	Wheat	537	540	628	795
30-yr fixed mortgage	7.11	7.18	6.68	6.99	7.53	3.18	BBG Index	234.74	236.66	226.43	204.58

Returns as of December 3, 2024

LAST WEEK IN REVIEW

- **S&P CoreLogic CS U.S. Home Price Index (Sept.):** 3.9% YoY vs 4.25% in August.
- **New Home Sales (Oct.):** 610K vs. 738K in September, -17.3% MoM. Effects of hurricanes weighing on housing activity.
- **Conference Board Consumer Confidence (Nov.):** 111.7 vs. 108.7 in October.
- **PCE Price Index:** Headline 0.2% MoM / 2.3% YoY; Core 0.3% MoM / 2.8% YoY. Core inflation remains in 2.5% - 3.0% range.

THIS WEEK

- **ISM Manufacturing PMI (Nov.):** 12/2
- **JOLTS Job Openings (Nov.):** 12/3
- **ISM Services PMI (Nov.):** 12/4
- **Payrolls & Unemployment (Nov):** 12/6

S & P SECTOR RETURNS

