

Primary Market Drivers

Economic Data

Last week's inflation data was mostly in line with expectations. CPI came in at expectations (+0.3% m/m) while PPI came in just above (+0.4% vs +0.3%). Neither impacted equities too significantly, though its worth noting Small- and Mid-caps struggled as yields rose following the releases. Nevertheless, recent labor market and inflation data has solidified Fed rate cut expectations for Wednesday. This week's economic calendar is busy. We get Retail Sales (12/17), Industrial Production & Capacity Utilization (12/17), NAHB Housing Market Index (12/17), Housing Starts (12/18), US Q3 GDP (12/19), Leading Economic Indicators (12/19), Existing Home Sales (12/19), November Core PCE (12/20), Personal Spending and Income (12/20), and Michigan Consumer Sentiment (12/20). It's a big week for economic data, highlighted by the bevy of housing market data, Retail Sales, Core PCE, and LEIs.

Fed Policy

The Fed's policy decision will be announced at its next meeting on Wednesday. Given recent labor market and inflation data, investors feel comfortable enough pencilling in a 25bps cut as a foregone conclusion, with odds of a cut at 97.1%. Looking ahead, 2025 brings a new wave of uncertainty regarding Fed policy. While the central bank has provided a guideline in their dot plot, a stronger-than-expected economy and a new incoming administration in the White House have pundits scratching their heads at exactly what comes next. Given the Fed's data dependent nature, it will likely depend on how that data looks as we move forward. It's worth noting that investors expect the Fed to pause once again in January (current odds are 81%), and are unconvinced of what happens after that (odds become scattered). We will have clearer expectations as we receive more data early next year, but for now, expect the Fed to cut 25bps this week to close out 2024.

Earnings

Last week's small batch of earnings was something of a roller coaster. Oracle kicked things off on Monday with a mixed print which was mostly attributed to FX headwinds, so traders gave the stock a pass. Adobe followed up on Wednesday and put a damper on Software with a light FY25 guide. Then on Friday, Broadcom shattered guidance expectations and Costco announced solid results, giving equities and big a boost. The Invesco QQQ ended the week at all-time highs. This week's earnings calendar is more of the same - light but impactful. We get General Mills (GIS), Micron (MU), and Lennar (LEN) on Wednesday, important proxies for the consumer, semiconductors, and homebuilders, respectively. Thursday features announcements from Accenture (ACN), Nike (NKE), Cintas (CTAS), FedEx (FDX), Conagra Brands (CAG), Lamb Weston Holdings 9LW, and Darden Restaurants (DRI), among others. So, while the number of companies reporting remains subdued in between seasons, expect the announcements to be heavily scrutinized.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns		12/13/2024
Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	28.32%
Dow Jones	DIA	18.23%
Large-Cap Growth	QQQ	30.11%
Large-Cap Value	IVE	15.58%
Mid Caps	MDY	19.20%
Small Caps	IWM	17.14%
International Equity		
Developed Intl	EFA	6.55%
Emerging Markets	EEM	10.26%
Fixed Income		
Core Bonds	AGG	2.04%
Corporate Bonds	LQD	2.26%
High Yield Bonds	HYG	8.44%
ST Treasuries	IEI	2.09%
LT Treasuries	TLT	-5.46%
International Bonds	BNDX	4.03%



Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Economy Slowing Modestly	Fed Policy Decision (12/18)
Fed Easing Cycle	Interest Rates Remain Elevated	Earnings: GIS, MU, LEN, CAN, NKE, FDX
Strong Earnings Growth	Light Earnings Guidance	November Core PCE (12/20)
Long-Term Bull Market; All Time Highs	International Equities	Retail Sales (12/17), Q3 GDP (12/19)
Positive Seasonality		Large Batch of Housing Market Data
Post-Election Themes Rally		Positive Seasonality December & January

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