**Monthly Market Commentary**

November 2024

# North American and Pacific markets surge while others diverge.

- Global equity markets finished with mixed performance in November. A rally in the U.S. in response to former President Donald Trump's victory in the presidential election, as well as strong performance in Canada and the Pacific ex Japan region, was partially offset by downturns in Europe and emerging markets.
- Global fixed-income assets posted modest gains during the month. U.S. Treasury yields moved modestly lower over the month, with the exception of the 1-month and 1-year segments of the curve. (Prices move inversely to yields.)
- We believe it is usually best that investors pay strict attention to the market fundamentals and ignore the politics.

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## Economic Backdrop

Global stock markets finished with mixed performance in November. A rally in the U.S. in response to former President Donald Trump's victory in the presidential election, as well as strong performance in Canada and the Pacific ex Japan region, was partially offset by downturns in Europe and emerging markets. All three major U.S. equity market indexes established record highs during the month. Additionally, the Dow Jones Industrial Average, the broad-market S&P 500 Index, and the small-cap Russell 2000 Index posted their largest monthly gains of 2024. Developed markets gained ground and significantly outperformed their emerging-market counterparts, which ended the month in negative territory. North America was the top performer among developed markets in November, lifted by upturns in the U.S. and Canada. The Pacific ex Japan region also garnered a positive return due mainly to strength in Singapore and New Zealand. Conversely, Europe was the weakest performer due to market downturns in Ireland and Portugal. The significant underperformance of the Nordic countries resulted from weakness in Finland and Denmark. Jordan + Egypt + Morocco led the emerging markets in November. In contrast to its developed-market counterpart, Emerging Europe ended the month in positive territory, bolstered by strength in Hungary and Czech Republic. The worst-performing emerging markets for the month included Latin America and the Association of Southeast Asian Nations (ASEAN), hampered mainly by market declines in Brazil and the Philippines, respectively.[1]

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, returned 0.3% in November. Mortgage-backed securities (MBS) were the strongest performers within the U.S. fixed-income market, followed by investment-grade corporate bonds, high-yield bonds, and U.S. Treasurys. Treasury yields moved modestly lower over the month, with the exception of the 1-month and 1-year segments of the curve. Yields on 2-, 3-, 5- and 10-year Treasury notes declined by corresponding margins of 0.03%, 0.02%, 0.10%, and 0.10%, ending the month at 4.13%, 4.10%, 4.05%, and 4.18%, respectively.[2] The spread between 10- and 2-year notes narrowed from +0.12% to +0.05% over the month, and the yield curve remained positively sloped (longer-term yields exceeded shorter-term yields). A positively sloped yield curve generally indicates that the economy is expected to grow in the future.

Global commodity prices, as represented by the Bloomberg Commodity Total Return Index, gained 0.4% in November. The West Texas Intermediate (WTI) and Brent crude oil prices declined 1.8% and 1.3%, respectively, over the month amid easing worries about the risk of supply constraints caused by the Israel-Hezbollah conflict. The gold spot price was down 2.5%, pressured by Donald Trump's election victory, which sparked a rally in the U.S. dollar. (The gold price typically moves inversely to the greenback.) The 24.2% surge in the New York Mercantile Exchange (NYMEX) natural gas price in November was attributable to forecasts of below-average temperatures in much of the U.S. in December, which could lead to increased demand. Wheat prices were down 3.9%, hampered by falling prices for exports from Argentina and the Black Sea region, as well as U.S. dollar strength. (The wheat price typically moves inversely to the U.S, dollar.)

[1] All equity market performance statements are based on the MSCI ACWI Index.

[2] According to the U.S. Department of the Treasury. As of November 29, 2024.

Donald Trump, a Republican, defeated his Democratic Party opponent, Vice President Kamala Harris, winning majorities in both the Electoral College and the popular vote. Trump is the first U.S. president since Grover Cleveland—who served from 1885 to 1889, and 1893 to 1897—to be elected to two non-consecutive terms. The president-elect ran on a populist platform focused on illegal immigration, crime, tariffs, and tax cuts. The election results initially sparked a week-long rally in the U.S. equity market as investors expressed optimism that the new administration's proposed tax cuts and loosening of regulations will boost economic growth. The upward momentum subsequently slowed in response to stickier-than-expected inflation data and less dovish comments from Federal Reserve (Fed) Chair Jerome Powell.

In prepared remarks delivered in Dallas, Texas, in mid-November, Powell stated that, given signs of continued economic strength, the central bank does not see an urgent need to accelerate the pace of interest-rate cuts. "The recent performance of our economy has been remarkably good, by far the best of any major economy in the world," he said. "The economy is not sending any signals that we need to be in a hurry to lower rates. The strength we are currently seeing in the economy gives us the ability to approach our decisions carefully."

On the geopolitical front, Ukraine launched U.S.-made long-range missiles into Russia for the first time on November 19. This action prompted Russian President Vladimir Putin to approve amendments to the nation's nuclear doctrine, expanding the conditions under which Russia may use nuclear weapons. In the Middle East, Israel and Hezbollah, an Iran-backed Shia militia based in Lebanon, reached agreement on a ceasefire in late November. Under the terms of the 60-day truce, Israel will gradually withdraw its troops from Lebanon, and Hezbollah's forces will move away from Lebanon's border with Israel.

**Economic Data (unless otherwise noted, data sourced to Bloomberg)**

- According to Statistics Canada, consumer prices (as measured by the change in the Consumer Price Index (CPI) rose 0.4% in October as gasoline prices reversed a recent slump and moved higher. Year-over-year consumer prices were up 2.0%, as gasoline price declines moderated due to base-year effects in addition to higher prices in October. Food costs also rose. Producer prices were stronger in October, as the Industrial Product Price Index (IPPI) increased 1.2% and the Raw Materials Price Index (RMPI) climbed 3.8%. Year-over-year prices were up 1.1% and down 2.8%, respectively, for the IPPI and RMPI. Prices for metals and energy have been stronger recently. The Canadian economy added a modest 51,000 jobs in November. Despite this employment growth, the unemployment rate increased by 0.3% to 6.8% as more people entered the labour pool.

- The Department of Labor reported that the consumer-price index (CPI) rose 0.2% in October, matching the upturns in the previous three months. The 2.6% year-over-year advance in the index was up from the 2.4% annual rise in September, in line with expectations. Housing costs rose 0.4% and 4.9% in October and year-over-year, respectively. Costs for transportation services increased 0.4% for the month and 8.2% versus the same period in 2023. Conversely, prices for fuel oil plummeted 4.6% in October and 20.8% year-over-year, while gasoline prices fell 0.9% and 12.2% for the respective periods. The 3.3% rolling 12-month rise in core inflation in October, as measured by the CPI for all items less food and energy, was marginally higher than the 3.2% annual rise in September. According to the second estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at an annualized rate of 2.8% in the third quarter of 2024—unchanged from the 2.8% initial estimate and slightly lower than the 3.0% increase in the second quarter of the year. The largest contributors to GDP growth for the third quarter included consumer spending, exports (which are added to the calculation of GDP), and federal government spending. Imports (which are subtracted from the calculation of GDP) increased over the quarter. The government attributed the modest quarter-over-quarter decline in the GDP growth rate to downturns in private inventory investment (a measure of the changes in values of inventories from one time period to the next) and residential fixed investment (purchases of private residential structures and residential equipment that property owners use for rentals).

- The Office for National Statistics (ONS) reported that inflation in the U.K., as measured by the CPI, rose 0.6% in October, up sharply from a flat reading in September. The CPI advanced at an annual rate of 2.3% in October, notably higher than the 1.7% upturn for the previous month. Costs for health care, alcohol and tobacco, and education posted corresponding increases of 5.6%, 5.3%, and 5.0%, year-over-year, while prices for transportation and furniture and household goods declined 1.9% and 0.3%, respectively, over the previous 12-month period. Core inflation, which excludes volatile food, energy, and alcohol and tobacco prices, rose by an annual rate of 3.3% in September, up marginally from the 3.2% year-over-year increase in September.[3] The ONS also announced that U.K. GDP dipped 0.1% in September and edged up 0.1% over previous three months (the most recent reporting periods). The marginal decline in GDP for September was down from the 0.2% growth rate in August. Output in the services sector was flat in September, while production and construction output ticked up 0.1%. Production output was down 0.5% for the month.[4]

- Eurostat pegged the inflation rate for the eurozone at 2.3% for the 12-month period ending in November, an increase from the 2.0% annual upturn in October. Costs in the services sector rose at an annual rate of 3.9%, down marginally from the 4.0% gain in October. Prices for food, alcohol and tobacco increased 2.8% year-over-year in November, slightly lower than the 2.9% annual rate for the previous month. Energy prices fell 1.9% over the previous 12-month period in November following a 4.6% year-over-year downturn in October. Core inflation, which excludes volatile energy and food prices, increased at an annual rate of 2.8% in November, down from the 2.9% year-over-year upturn for the previous month.[5] Eurostat also reported that eurozone GDP rose 0.4% in the third quarter of 2024, modestly higher than the 0.2% increase in the second quarter. The eurozone economy expanded by 0.9% year-over-year—an improvement from the 0.6% annual growth rate for the previous quarter. The economies of Lithuania and Cyprus were the strongest performers for the third quarter, expanding 1.1% and 1.0%, respectively. In contrast, GDP in Hungary and Latvia declined by corresponding margins of 0.7% and 0.4% during the quarter.[6]

**Index Data (November 2024)**

- The S&P/TSX Composite Index jumped 6.37%.
- The FTSE Canada Universe Bond Index rose 1.68%.
- The S&P 500 Index, which measures the performance of U.S. equities, returned 6.34%.
- The MSCI ACWI (Net) Index, used to gauge global equity performance, gained 4.20%.
- The ICE BofA U.S. High Yield Constrained Index, representing U.S. high-yield bond markets, returned 1.06% (currency hedged) and 1.59% (unhedged).
- The Chicago Board Options Exchange Volatility Index—a measure of implied volatility in the S&P 500 Index that is also known as the "fear index"—declined from 23.16 at the end of October to 13.51 to end November.
- The WTI Cushing crude oil price—a key indicator of movements in the oil market—declined modestly from US$69.26 to US$68.00 a barrel to end November.
- The Canadian dollar slightly weakened to C$1.40 per U.S. dollar. The U.S. dollar was generally stronger against the world's other major currencies, ending November at US$1.06 versus the euro, US$1.27 against sterling, and at 150.19 yen.

[3] According to the ONS. November 20, 2024.
[4] According to the ONS. November 15, 2024.
[5] According to Eurostat. November 19, 2024.
[6] According to Eurostat. November 14, 2024.

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