December 2024

Monthly Market Commentary

Holiday spirits are in full swing now that we are just a few weeks away from Christmas! Families have decorated their trees and swapped out the fall décor with Christmas wreathes and garland. There really is nothing like the smell of a freshly cut pine tree in your living room to bring your Christmas cheer! We hope you can enjoy the Christmas season with your family and that you can bring in the new year with positivity! Cheers to 2025!

The US asset markets performed well in November as election uncertainty is out of the way and renewed momentum has emerged with optimism on economic policy as markets expect more growth, less regulation, and lower taxes with the new administration. This is reflected in the sizable rotation we have observed over the last month with respect to sectors and broadening breadth further down the risk spectrum which still has legs in our opinion and is not necessarily dependent completely on fundamentals nor is it totally speculative. On the flipside, international and emerging markets have been under some pressure over the same time and should be expected as protectionist policies are reminiscent of Trump's policies in his first term. In summary, markets are rapidly pricing in the positive and negative impacts on various asset classes based on recent policy rhetoric and experience from Trump's previous term.

As we approach the final stretch of the year, the economy continues to chug along above trend growth albeit slowing gradually, while inflation has likely bottomed after its steady decline over the last year and is poised to accelerate marginally over the coming quarters. With the new administration taking office next year and the lag associated with actual policy implementation, the range of outcomes will be wider than normal as they come into effect. Implications for growth and inflation can vary depending on the timing of these new policies so it is hard to have an informed opinion currently. Overall, we remain in a positive backdrop for risk assets with respect to monetary policy that remains in an easing bias and the money supply, a measure of overall liquidity, is on the rise at least until early next year. Finally, valuations are elevated and in the 90th percentile of their historic ranges at the index level and much of it is associated with the concentration of the top ten holdings which currently account for almost a third of the index. This remains a risk that may not be imminent in the near term but warrants caution if/when there is a catalyst and one that we are monitoring closely.