



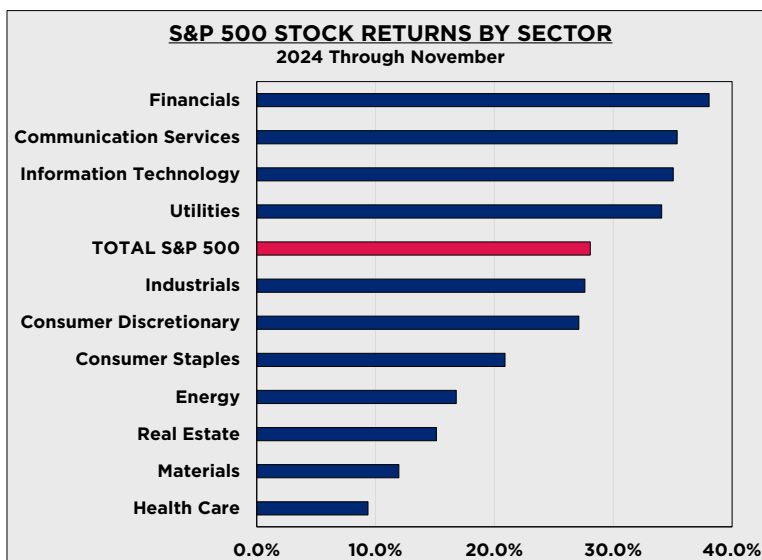
Market update

December 3, 2024

U.S. markets reacted quite favorably to the election outcome. Even with some pullback at mid-month, U.S. stock returns for November were robust and bond market gains reflected some stabilization of yields. Foreign stocks fared less well in the month and now lag U.S. stocks considerably in the year-to-date. This outcome reflects in part less favorable growth and earnings fundamentals as well as emerging policy uncertainties.

	<u>November</u>	<u>Year to Date</u>
• U.S. Taxable Bonds	+1.1%	+2.9%
• U.S. Stocks	+6.6%	+27.6%
• Foreign Stocks	-0.9%	+8.2%

With election results in hand, investors now turn to the implications for policies and markets ahead. The first test will come with hearings over Trump appointees. Positions hardened in this process will serve as a preview of the challenges facing policy changes. With these uncertainties remaining high, markets will be provided little direction here and will turn to key fundamentals of economic growth, corporate earnings, interest rates and inflation. Positive outcomes will be necessary to sustain current market levels.



The chart here shows the breadth of U.S. stock market returns by sector through November 2024. The variance of returns by sector was notable, but equally notable was that each sector posted a gain. The result was a challenge to implementing portfolio equity strategy while minimizing tax consequences. Of course, such was not a concern for tax-deferred accounts such as IRAs. Tax considerations can influence portfolio strategy but should not determine it over time. Continuing to hold a stock position with a sizable unrealized gain may be warranted if the outlook remains relatively favorable. If not, a very unsatisfying experience may unfold as the unrealized gain disappears through attrition. The impact of realized gains can be managed year-to-year with loss carryforwards. Certainly, all investment tax matters must be viewed relative to overall household income taxes.