Summary

In a holiday-shortened week, economic data included declines in durable goods and consumer confidence and a rise in new home sales.

Equities gained around the world last week, with developed markets outearning the U.S. and emerging markets. Bonds fell back as a whole, as yields continued to rise due to a number of underlying dynamics. Commodities were mixed, with positivity in energy and base metals.

Economic Notes

(-) **Durable goods** orders fell by -1.1% in November, a bit further than the expected -0.3% decline, although the prior month's total was revised upward. Due to a drop in commercial aircraft orders, which are notoriously lumpy, removing transportation trimmed the drop to -0.1%, while core capital goods orders rose by 0.7%. Core capital goods shipments rose 0.5%. Over the past 12 months, total durable goods orders have declined -5%, while removing transportation has reversed that to nearly a 2% increase. This continued to be a mixed story of gains for the year in industrial machinery, metals, and computers/electronics, and a sharp reduction in transportation.

(+) **New home sales** rose 5.9% in November to a seasonally-adjusted annualized pace of 664k units, reversing a sharp decline of the prior month, but below the expected gain of 9.7%. An increase of 51k in the South region led the way, in a likely reversal of negative hurricane effects of the prior month, followed by small gains in the Midwest and declines in the Northeast and West. The median new home sales price came in at $402,600, down -6% over the last year, but largely the result of smaller footprints to make homes more affordable, as the median price per square foot changed less dramatically. For inventories, months' supply fell to 8.9. Major weather events tend to skew data for series like this for several months, during the initial shock and subsequent recovery, but aside from that, the pace of new home building remains insufficient to satisfy demographic demand and residual need from tear-downs, etc. That said, new home sales are up 9% over the last year, which is an improvement, with the Northeast as the only area seeing a major decline over the period.

(-) The initial Conference Board **index of consumer confidence** for December fell by -8.1 points to 104.7, below a minor expected decline to 113.2. While assessments of present conditions fell by a mere point, expectations for the future fell by nearly -13 points. On the other hand, the labor differential improved by several points, implying jobs were plentiful as opposed to hard to get, but remained below highs earlier this year and still below pre-pandemic levels. On the qualitative side, survey questioners noted that concerns over tariffs increased, with nearly one-half of U.S. consumers expecting them to raise the cost of living, but only one-fifth expected them to create more domestic jobs, so skepticism abounds.

(-) **Initial jobless claims** for the Dec. 21 ending week fell by -1k to 219k, below the 223k expected. Continuing claims for the Dec. 14 week rose by 46k to 1.910 mil., above the median forecast of 1.880 mil., and the highest level in over three years. While some of this was explained away by seasonal issues, common for this time of year, it also appeared that those who have lost jobs have remained on benefits for a potentially longer stretch, as the rate of hiring has slowed.

Market Notes

Period ending 12/27/2024	**1 Week %**	**YTD %**
DJIA	0.35	16.20
S&P 500	0.70	26.90
NASDAQ	0.78	32.32
Russell 2000	0.11	12.20
MSCI-EAFE	1.79	4.43
MSCI-EM	1.04	8.24
Bloomberg U.S. Aggregate	-0.33	0.93

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2023	5.40	4.23	3.84	3.88	4.03
12/20/2024	4.34	4.30	4.37	4.52	4.72
12/27/2024	4.31	4.31	4.45	4.62	4.82

U.S. stocks saw gains on net for the short week, despite a pullback by Friday, with additional pressure from higher long-term interest rates. Nearly every sector saw gains, led by energy, health care, communications, and financials, while materials and consumer staples saw slight declines. Real estate earned a small gain, despite interest rates rising again. The last several trading days of a calendar year can result in some unusual market movements at times, due to lower trading volumes because of vacations and institutional portfolio repositioning, including popular 'window dressing' trading activity, reset of cash levels, and other rebalancing activities.

Foreign stocks saw gains as well, seeing overall gains surpassing the U.S. Japan led the way, with gains of several percent, followed by Europe and the U.K. up around a percent, while emerging markets were little changed on net. There was minimal news during the short week overseas as well, with a downgrade of U.K. GDP growth for the prior quarter by a tenth (to 0.0%), and ongoing angst about potential tariff impacts from the incoming U.S. administration next year. In EM, gains in China were offset by declines in Latin America, and mixed results in the rest of Asia. Hope persists in China that government stimulus will continue to ramp up to support still-robust economic growth targets. The strongest gains came from Turkey, where hopes for more conventional central bank monetary policy coincided with a rate cut from 50.0% to 47.5% (!), as inflation has decelerated.

Bonds fell back generally, along with rising interest rates as investors continued to digest the likelihood of the Fed's 'higher for longer' narrative (again). Floating rate bank loans were the exception, with minor gains, in keeping with normal tendencies. Foreign bonds fell back to the same or worse degree, not helped by the stronger U.S. dollar for the week.

Commodities were mixed, with gains in energy and industrial metals, offset by declines in precious metals and agriculture. Crude oil rose about a percent last week to $70/barrel, as investors continued to evaluate the balance of demand (still lower than hoped) and supply (still robust) going into year-end.

Have a good week and Happy New Year. We appreciate your partnership and wish you and your families the best in 2025.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.