

## Fed Finale

The S&P 500 Index fell modestly last week. For the week, the S&P 500 was -0.8%, the Dow Jones Industrials -1.8%, and the NASDAQ +0.8%. The Communication Services, Consumer Discretionary and Technology sectors led the market, while the Materials, Utility and Health Care sectors lagged. The 10-year U.S. Treasury note yield increased to 4.398% at Friday's close versus 4.149% the previous week.

The Federal Reserve's final meeting of the year is scheduled for Tuesday and Wednesday. Current CME Fed funds futures show a 97% probability of the 0.25% rate cut to a 4.25% to 4.50% target range. The Fed should also issue an updated Summary of Economic Projections at the meeting, providing a road map for the first quarter of 2025. Fed funds futures for the first quarter currently show a 0.25% reduction in interest rate. The incoming Trump administration is working on a combination of tax policy, trade and tariff policy, and government spending reductions. This likely causes the Federal Reserve to take a wait and see approach to how new policies impact the economy and its need to further adjust monetary policy.

Last week's inflation data in the Consumer Price Index (CPI) and Producer Price Index (PPI) showed inflation is still sticky, but that doesn't seem to be enough to put the Federal Reserve on pause this week. As mentioned, it is more likely that the pace of rate cuts slow in 2025 as the Federal Reserve adjusts monetary policy to a more neutral stance.

Fourteen companies in the S&P 500 Index are scheduled to report earnings results this week. Fourth quarter earnings growth is currently forecast at 11.8% year-over-year with revenue growth of 4.8%. Full-year 2024 earnings for the S&P 500 Index are expected to grow by 9.5% with revenue growth of 5.1%.

In our *Dissecting Headlines* section, we look at the historic probability of a Santa Claus Rally.

## Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.6%	28.6%	Aggregate Bond Index	-1.2%	2.4%
Dow Jones Industrial Average	-1.8%	18.4%	U.S. Dollar Index	0.9%	5.6%
NASDAQ 100	0.8%	30.5%	WTI Crude Oil	6.1%	-0.5%
Russell 2000 (Small Cap Index)	-2.5%	17.3%	Gold	0.6%	28.3%
International Stocks (MSCI ex-US)	-1.0%	8.9%	Real Estate (US REIT Index)	-1.5%	12.5%

Sources: S&P Global, FactSet

## Dissecting Headlines: Santa Claus Rally

As we approach the end of the year, investors often wonder if the stock market will have a Santa Claus Rally. Based on historical returns, the probability is good.

According to the Stock Trader's Almanac, the actual Santa Claus Rally period measures the five final trading days of the year and the first two trading days of January. Since 1950, the S&P 500 Index has recorded a positive return on 59 occasions, or 80% of the time, during that period. The average increase over those seven trading days has been +1.3%.

Whether it is optimism surrounding the U.S. economy, institutional positioning ahead of the new year, or just the holiday spirit, the impact has been a positive one over the years. This year, the Federal Reserve certainly has the potential to add to the joy as it is widely expected to lower interest rates again at its December 18th meeting.

With the S&P 500 Index up over 28% year-to-date, some could also argue that the entire year has been a gift, and an extra one-percent return at the end of the year would merely be an extra stocking stuffer.

## The NovaPoint Team



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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



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Alan has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a fixed income manager at both Spectrum Advisory Services and a private family office. Alan was also with the Bank Group division of Countrywide Capital Markets where he developed balance sheet strategies for depository institutions. He holds a BS in Banking and an MBA in Finance from Nova Southeastern University. Alan is an endurance athlete and three-time IRONMAN finisher.



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Frederick has over 30 years of experience in the investment management industry. Prior to joining NovaPoint, Frederick was a Partner and Investment Advisor at Brightworth where he advised high net worth investors. Frederick began his investment career in 1991 at Balentine & Co where he rose to Partner. He also co-founded and served as Chief Investment Officer at Wright Investment Management and at Smith & Howard Wealth Management. Prior to beginning his investment career, Frederick served as an Engineer officer in the U.S. Army. He holds a BS from the U.S. Military Academy at West Point and an MBA from Emory University. Frederick is a Chartered Financial Analyst (CFA).



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Larry leads NovaPoint's accounting, tax and outsourced CFO business. He built his previous company, Atlas Solutions, as a solo entrepreneur before merging into NovaPoint CFO. Larry began his career as a Field Artillery officer in the United States Army. Larry earned his Bachelor of Science degree from the U.S. Military Academy at West Point, where he was a four-year letterman on the football team. Larry is a certified Enrolled Agent, recognized by the U.S. Department of the Treasury to represent taxpayers before the Internal Revenue Service.

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