

WEEKLY INSIGHT

November 7, 2024

Equities Surge Following Election Results

Equities finished the week up 2% thanks to a 4% rally on Tuesday and Wednesday. Equities started to rally early Tuesday night and have not stopped with more gains so far today. The markets are pricing in a Republican sweep despite the House of Representatives still in doubt. Data analysts indicate it is likely the Republicans win the House, and the markets will price in the outcome prior to 100% certainty.

The number of stocks up 10% on the day after the election was enormous. The prospect of reduced tax cuts and regulation set off the bullish narrative that many had expected, although we may have gone beyond what was anticipated.

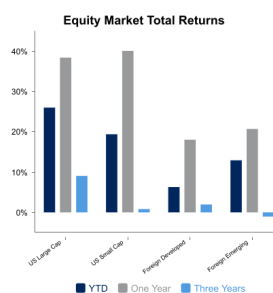
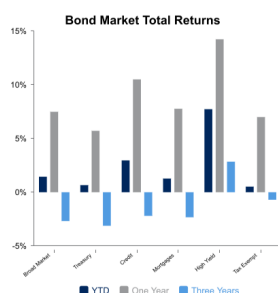
- It was the best post-election day return in the history of the S&P 500.
- The Russell 2000 Index gained 5.8% on the day, its second-best single day since 2020.
- The Regional Bank Index surged more than 12% on Wednesday.

While the above may be beneficial for stocks, they are not bond friendly narratives. The 30-year Treasury was up 17 basis points on the day as the curve steepened. Higher yields have yet to put a dent into the equity rally. There continues to be a view that this won't persist, which creates the wall of worry that pushes equities higher. People sell in anticipation of a correction or wait to buy on a pullback. If it doesn't come, they finally capitulate and create the final thrust up in markets. There also continues to be a strong buy the dip mentality in fixed income, which anecdotally implies the ultimate high in yields is not imminently close.

Treasury Yields Have a Wild Week

It was also a busy economic data week that was highlighted by the monthly jobs report. ADP went first on Wednesday with a huge 233,000 gain versus the 111,000 estimate. This report has failed to be relevant to market for some reason. The Bureau of Labor Statistics (BLS) report on Friday showed 12,000 jobs gained, which was way below estimates of 100,000. This was quickly blamed on the hurricanes, which were expected to make an impact. Still, the report was not strong and so the 10-year Treasury rallied eight basis points right after the release. Except, it was a trap as yields quickly reversed and surged 16 basis points in one of the most unexpected daily reversals this year.

And to round out the packed week, the Federal Reserve cut interest rates 25 basis points. Chairman Powell indicated there is no change in their path to lower rates.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b)	5.00	5.50	0.25
3-Month T-Bill	4.53	5.42	0.04
10-Year Treasury	4.43	4.57	1.45
30-Year Treasury	4.61	4.73	1.89
10-Year Corporate AA	5.18	5.69	2.09
10-Year High Yield Corp.	6.55	7.48	3.90
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz)	2,659.06	1,969.45	1,818.36
Oil (WTI, \$/barrel)	71.69	77.37	81.27
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	105.09	105.54	94.32
USD/EUR	0.93	0.93	0.86
USD/JPY	154.63	150.37	113.41

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