

THE CAPITAL MARKETS

New Covenant Trust Company

Issue 11 | November 2024

MARKET UPDATE AT A GLANCE

The Dow Jones Industrial Average (DJIA) finished October at 41,763, down -1.34% for the month and up +10.81% so far in 2024. The S&P 500 closed October at 5,705, down -0.99% for the month and up +19.62% year-to-date. The NASDAQ Composite lost -0.52% in October, up +20.54% for the year. Small-company stocks as measured by the Russell 2000 ended October down -1.49% for the month, up +8.37% so far for the year. Health care (-4.39%) was the worst-performing sector in October.

ELECTION RESULTS ADD CERTAINTY, UNCERTAINTY FOR INVESTORS

It's been well-documented that markets crave certainty, and by early Wednesday morning following November's election, traders were already pricing in a mostly certain outcome of Republican control of both the White House and Congress. As investors, this took off the table one of the markets' known unknowns — who was going to win the 2024 election — but dumped onto the table other implications and risks.

One thing that most observers agree has become increasingly apparent in the weeks since Election Day, as Cabinet picks and political appointments have been announced, is that unexpected surprises may once again be a more common occurrence in the U.S. political system. The certainty of the election outcome has led to increasing uncertainty around what the next four years may hold.

Elections tend to bring with them strong emotions, both up and down, and this cycle's campaign and eventual outcome has been for many as emotional as any before it. As investors, fortunately, we have over 100 years of market history to help inform how to navigate periods of uncertainty and strong emotion, and some of the most relevant findings are outlined below. Please know that we are always here to consult with you during this or any other uncertain time.

Markets and the economy have proven resilient through many world events, crises and political administrations.

The S&P 500's average annual return of 10.3% per year since 1926 has included World War II, the Vietnam War, the Cold War, the Tech Bubble, the Great Recession of '08, the COVID-19 pandemic, and many other uncertain

(Continued on next page)



“The 10-year Treasury note hit the 4.5% mark on Friday, which proved nettlesome for equities in the past. That was up 88 basis points from its recent low in mid-September.”

(Barron's, “Up and Down Wall Street,” Randall Forsyth, Nov. 15, 2024)

(Continued from previous page)

times. One dollar invested in the S&P 500 1926 would be worth over \$14,000 today.

The economy and markets are ultimately driven by entrepreneurs, business leaders and employees providing products, services and innovations that consumers want and can pay for.

The foundational aspects to the economy remain sound, and we expect investors will continue to be rewarded over the next 100 years as they have the past 100 years.

Many experts agree politicians often receive too much credit and too much blame for the economy.

Public policy can have little impact, surprising impacts and, at times, counterintuitive impacts on the economy and markets. Investors may be surprised, for example, that the Global Clean Energy Index was up over +275% during the first Trump presidency, while the fossil fuel dominated Energy Index was down over -40%.

The outcome was almost exactly the opposite during the current Biden Administration, with Clean Energy down -50% and the traditional Energy Index more than doubling. These outcomes were driven by macro factors such as interest rates, supply and demand — and where we were in the business cycles for these industries — rather than the actions or campaign priorities of the administrations in office.

Building an investment plan based on your long-term goals and objectives, allocating assets effectively and monitoring near-term events in light of a long-term economic and market context is the empirically backed approach to successful long-term investing. Investing

based on election results, or any near-term event, may lead to too narrow a context and unpredictable results.

Diversification is the best approach to navigating uncertain times.

Every day, the global stock market processes billions of dollars in trades between buyers and sellers, based on thousands of data points, inferences and the perspectives of thousands of institutional and retail investors.

As was illustrated above, the areas of the market that zig and those that zag in the short term are almost impossible to reliably predict over time — especially based on domestic politics.

When facing uncertainty and a wide breadth of potential outcomes, investors best defense to the unknown unknowns of the market is broad diversification across thousands of stocks, balanced across each sector, industry and geography of the market. With seven U.S. tech stocks having driven the market for nearly two years, this best practice is especially important.



“This combination, if sustained, will be a wind at the back of the next president. Three of the past four newcomers to the White House took office in or around a recession, which consumed much of their first-term agenda. The next president should be free of that burden.”

(Wall Street Journal, “The Next President Inherits a Remarkable Economy,” Greg Ip, Oct. 31, 2024)



Market Metrics

Index or Metric	Close as of 9/30/2024	Close as of 10/31/2024	Change Previous Month End	2024 YTD % Change
Dow Jones Industrial Average	42,330.15	41,763.46	-566.69	10.81%
S&P 500	5,762.48	5,705.45	-57.03	19.62%
NASDAQ Composite	18,189.17	18,095.15	-94.02	20.54%
RUSSELL 2000	2,229.97	2,196.65	-33.32	8.37%
Fed Funds Rate	4.75% - 5.00%	4.75% - 5.00%	UNCHANGED	
2-Year Treasury	3.66%	4.16%	+0.50%	
10-Year Treasury	3.81%	4.28%	+0.47%	
Crude Oil \$ per Barrel	\$68.17	\$68.17	+\$1.09	-3.34%
Gold \$ per Troy oz.	\$2,659.40	\$2,659.40	+\$89.90	32.70%
UK Point in U.S. \$	\$1.3414US=1£	\$1.2857US=1£	\$ STRONGER	0.85%
Euro in U.S. \$	\$1.1161US=1	\$1.0857US=1	\$ STRONGER	-1.72%
Canada \$ per U.S. \$	\$1.35095C=\$1.00US	\$1.39395C=\$1.00US	\$ STRONGER	5.71%
Japan Yen per U.S. \$	143.04¥=\$1.00US	152.325¥=\$1.00US	\$ STRONGER	8.05%

