THE CAPITAL MARKETS

New Covenant Trust Company

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MARKET UPDATE AT A GLANCE

The Dow Jones Industrial Average (DJIA) finished November at 44,911, up +7.54% for the month and up +19.16% so far in 2024. The S&P 500 closed November at 6,032, up +5.73% for the month and up +26.47% year-to-date. The NASDAQ Composite gained +6.21% in November, up +28.02% for the year. Small-company stocks as measured by the Russell 2000 ended November up +10.84% for the month, up +20.11% so far for the year. Consumer Discretionary (+13%) was the best-performing sector in November.

2024 IN REVIEW: THE GOOD TIMES ROLL, BUT FOR HOW LONG?

We'd like to start this edition of the Capital Markets by thanking our readers and clients for another year of partnership and trust. Our prayer is for a blessed Advent season and Christmas for you and your families, communities and churches.

As we look back on 2024, there are a number of historical events and statistics we could point to. For example, the S&P 500 crossed not only 5,000 for the first time in February, but also 6,000 for the first time in November. With 56 new record highs for the S&P 500 this year, 2024 trails only 1995 and 2021 for the most new highs in recent history.

If current market levels hold, 2023 and 2024 will be only the third time in history that the S&P 500 gained over +20% in two consecutive years. Few investors would argue that recent years have not been great for stocks, with returns and account balances likely as high as they've ever been.

The question investors must now grapple with is how much longer this strength may last, and what may be next for a market that is up +15.8% per year over the last 5 years, when the long-term average is closer to +10.3% per year.

The market rally coming out of the 2022 bear market has been driven in large part by the technology sector, and specifically by companies viewed as positioned to benefit from the increasing demand for artificial intelligence innovation in the economy.

A curious new novelty for many a few years ago, AI has become the next industrial revolution in the eyes of many on Wall Street — some comparing it to the invention of the automobile or even electricity. Models of robust growth

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> **"When investors are wildly optimistic, it is much harder for the market to rise — everyone's already got a lot of stocks — and much easier for it to fall on any hint that they might be wrong.."**
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> *(The Wall Street Journal, James Macintosh, Dec. 17, 2024)*

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through AI-powered productivity gains are fueling optimistic sentiment in the market at levels similar to the post-pandemic boom, or even the late '90s tech bubble.

This market does have some differences from the '90s, however, as the high-flying companies in this market are actually generating double-digit, and in some cases triple-digit, sales and profit growth.

This is unlike the tech bubble where unprofitable, early-stage companies were receiving huge valuations based on the hope that internet traffic and clicks would someday lead to a profitable business.

Wherever and at whatever pace AI innovations ultimately affect the economy, investors would be wise to remain cognizant that it does matter what price you pay for anything, be it a car, a house or stocks.

At some point, frothy valuations do hamper the near-term outlook for how much further something can appreciate.

It's critical, in our view, for investors at this time to ensure that assets invested in stocks can be there for the long term.

The near to medium term looks cloudy for stocks at current valuations, but we continue to remain constructive that very long-term returns will likely be around the average, whether we hit a near-term market breather or not.

ECONOMIC UPDATE

The United States added a solid 227,000 jobs in November, rebounding from a disappointing report in October, which was likely affected by hurricanes and a worker strike at Boeing.

The unemployment rate ticked up slightly to 4.2%, in line with expectations. November CPI inflation came in at a 2.7% increase, slightly higher than expected and the second straight month of an increase after hitting a low of 2.4% in September.

With the labor market continuing to exude health and resilience, the Federal Reserve may begin to focus more on inflation levels, which have at best proven stubborn and sticky around current levels, and at worst are showing some directional pull upwards. Market observers in recent months have been declaring the inflation problem solved, but recent reports bring that notion into question.

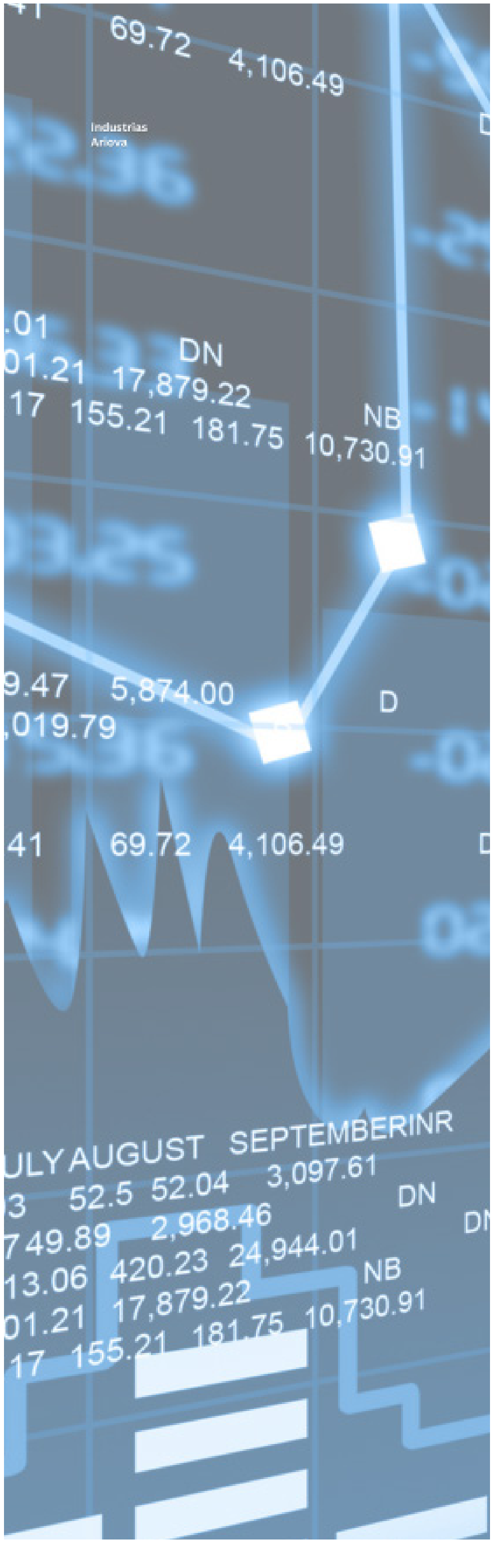
Further upward pressure on inflation readings may lead to a meaningful repricing on the equity markets and will be a closely watched indicator each month from here.

" 'We're not suggesting paradise on earth nor are we expecting a 'Goldilocks world,' but rather a genuine potential for AI to provide greater efficiencies in key areas that are challenging progress today across the sectors and society,' writes John Stoltzfus, chief investment strategist at Oppenheimer Asset Management. 'The potential for better virtual shovels and virtual drill bits to mine a world of increasing mountains of data to find solutions at a quicker pace could be one of its greatest contributions.' "

(Barron's, Ben Levisohn, Dec. 13, 2024)

Market Metrics

Index or Metric	Close as of 10/31/2024	Close as of 11/30/2024	Change Previous Month End	2024 YTD % Change
Dow Jones Industrial Average	41,763.46	44,910.65	+3,147.19	19.16%
S&P 500	5,705.45	6,032.38	+326.93	26.47%
NASDAQ Composite	18,095.15	19,218.17	+1,123.02	28.02%
RUSSELL 2000	2,229.97	2,444.60	+214.63	20.11%
Fed Funds Rate	4.75% - 5.00%	4.50% - 4.75%	-0.25%	
2-Year Treasury	4.16%	4.13%	-0.03%	
10-Year Treasury	4.28%	4.18%	-0.10%	
Crude Oil $ per Barrel	$69.26	$68.00	-$-1.26	-5.09%
Gold $ per Troy oz.	$2,749.30	$ 2,681.00	+$131.80	28.36%
UK Point in U.S. $	$1.2857US=1£	$1.2711US=1£	$ STRONGER	-0.29%
Euro in U.S. $	$1.0857US=1	$1.0562US=1	$ STRONGER	-4.39%
Canada $ per U.S. $	$1.39395C=$1.00US	$1.40015C=$1.00US	$ STRONGER	6.18%
Japan Yen per U.S. $	152.325¥=$1.00US	150.185¥=$1.00US	$ WEAKER	6.53%



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