

Results may be in, but uncertainty persists.

Economic Highlights

- ▶ The Republican sweep of the Presidency and Congress resulted in an increase in volatility as investors digested the impact of the new administration's policy proposals. Areas of focus include taxes, tariffs, immigration, and deregulation, which the market generally expects could result in more growth, larger budget deficits and higher inflation. The market has been paying particular attention to cabinet appointments in an attempt to gain insight into the execution of these policy proposals.
- ▶ The Federal Open Market Committee (FOMC) continued its interest rate normalization by cutting the target range for the federal funds rate by 25 basis points (bps) to 4.50-4.75% after its November meeting. Federal Reserve (Fed) Chair Jerome Powell was noncommittal during the press conference regarding the size and cadence of future cuts, but did confirm the Fed still views policy as restrictive. As such, the Fed expects to continue gradually lowering rates if warranted by the labor and inflation data.
- ▶ Inflation readings ticked modestly higher in October as the year-over-year change in both the Consumer Price Index (CPI) and Personal Consumption Expenditures Index (PCE) increased to 2.6% and 2.3%, respectively. This is not expected to deter the Fed as it has previously noted it expects the path towards its 2% target to be bumpy at times.
- ▶ The employment report showed a return to strength with 227,000 new jobs created during the month of November. This represented a reversal from the weak print in October, which was impacted by large-scale strikes and hurricanes in the Southeast. The unemployment rate ticked up to 4.2%. The return to strong job creation and a historically low unemployment rate is a testament to the labor market strength that will continue to support the consumer.
- ▶ The second estimate for third quarter gross domestic product (GDP) continued to show the economy growing at a 2.8% pace, in line with the advance estimate. Personal consumption remains exceptionally strong at 3.5%.

Bond Markets

- ▶ U.S. Treasury yields drifted higher during the first few weeks of the month before falling after the nomination of Scott Bessent to Treasury Secretary. Bessent is generally viewed as a market-friendly centrist pick.
- ▶ Yields on benchmark 2-, 5-, and 10-year U.S. Treasuries ended the month at 4.15%, 4.05%, and 4.17%, reflecting declines of 2, 11, and 12 bps, respectively.
- ▶ The fall in yields pushed fixed income total returns positive for the month as the ICE BofA 2-, 5-, and 10-year U.S. Treasury indices returned 0.26%, 0.59%, and 1.03%, respectively.

Equity Markets

- ▶ Equity markets soared on higher growth prospects with the Dow Jones Industrial Average ending the month up 7.7%, the NASDAQ up by 6.3%, and the S&P 500 Index up 5.9%. All three indices ended the month at record highs or hit record highs throughout the month.
- ▶ International equities (as measured by MSCI ACWI ex- U.S. Net Index) sold off for the month, declining 0.9%, while the U.S. Dollar Index rally continued, up 1.7%.

PFMAM Strategy Recap

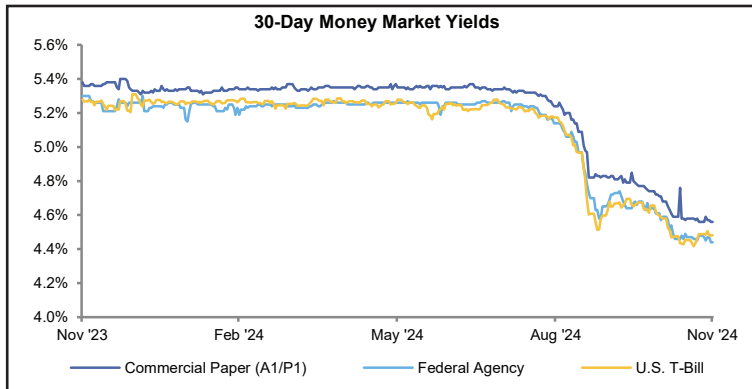
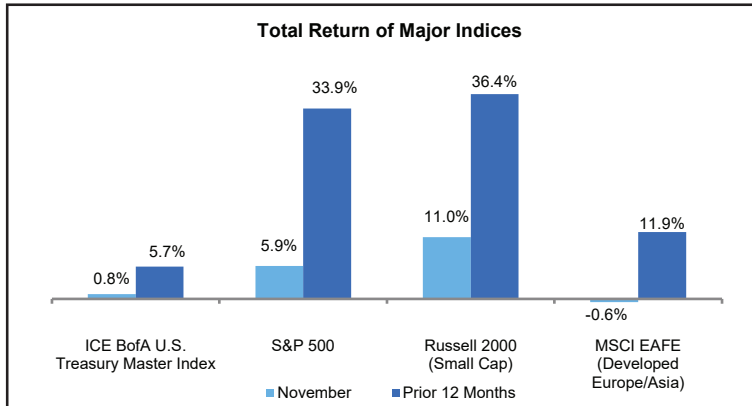
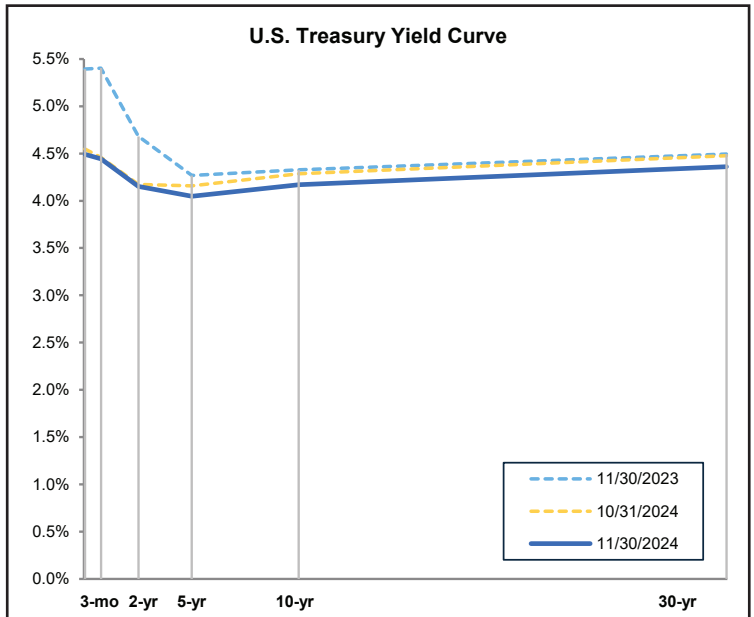
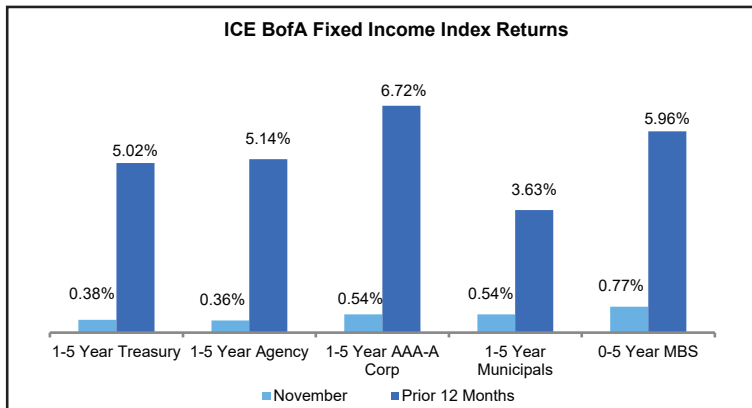
- ▶ We will continue to maintain portfolio durations near 100% of benchmarks given the continued backup in yields as the market weighs increased optimism around economic growth and heightened volatility as the impact of fiscal policy comes into better focus.
- ▶ Spreads on federal agencies and supranationals remain unchanged near multi-year tightness and are not expected to change in the near term. We expect to maintain low allocations in favor of other sectors.
- ▶ Once again, investment-grade (IG) corporate bonds posted positive excess returns relative to U.S. Treasuries as valuations remain at historically rich levels with little room for spreads to tighten further. Our view is that supportive corporate fundamentals and technical factors are offset by uncertainty regarding economic policy and supply and demand dynamics moving into the new year. As a result, we will look to tactically reduce allocations in the sector to make room for future opportunities.
- ▶ Asset-backed securities (ABS) generated positive excess returns as the rise in overall yields and strong market tone led to a sector repricing and subsequent compression in spreads, with spreads now materially tighter than their mid-September peak. We were able to reduce allocations by attrition over the month and now look to maintain allocations in the sector as we expect issuance to remain quiet through year-end.
- ▶ Mortgage-backed securities (MBS) and agency-backed commercial MBS (CMBS) excess returns rebounded in November, posting firmly positive results. Spreads for both sectors moved lower as rate volatility subsided post-election and prepayments are likely to remain subdued over the near term. We will seek to maintain allocations in the sector.
- ▶ Credit spreads on the short end of the curve widened slightly while U.S. Treasury Bill yields drifted higher as the market priced in a slower pace of Fed rate cuts. In general, the money market yield curve remains inverted as the market continues to price in multiple Fed rate cuts. Money market funds and similar pools tend to lag the decline in cash yields during periods of Fed rate cutting.

U.S. Treasury Yields				
Maturity	Nov 30, 2023	Oct 31, 2024	Nov 30, 2024	Monthly Change
3-Month	5.39%	4.55%	4.49%	-0.06%
6-Month	5.40%	4.46%	4.45%	-0.01%
2-Year	4.68%	4.17%	4.15%	-0.02%
5-Year	4.27%	4.16%	4.05%	-0.11%
10-Year	4.33%	4.29%	4.17%	-0.12%
30-Year	4.50%	4.48%	4.36%	-0.12%

Yields by Sector and Maturity				
Maturity	U.S. Treasury	Federal Agency	Corporates-AA-A Industrials	AAA Municipals
3-Month	4.49%	4.50%	4.72%	-
6-Month	4.45%	4.45%	4.77%	-
2-Year	4.15%	4.16%	4.41%	2.69%
5-Year	4.05%	4.06%	4.57%	2.71%
10-Year	4.17%	4.23%	4.86%	2.96%
30-Year	4.36%	-	5.28%	3.87%

Spot Prices and Benchmark Rates				
Index	Nov 30, 2023	Oct 31, 2024	Nov 30, 2024	Monthly Change
1-Month LIBOR	5.34%	4.66%	4.53%	-0.13%
3-Month LIBOR	5.37%	4.56%	4.47%	-0.09%
Effective Fed Funds Rate	5.33%	4.83%	4.58%	-0.25%
Fed Funds Target Rate	5.50%	5.00%	4.75%	-0.25%
Gold (\$/oz)	\$2,038	\$2,749	\$2,657	-\$92
Crude Oil (\$/Barrel)	\$75.96	\$69.26	\$68.00	-\$1.26
U.S. Dollars per Euro	\$1.09	\$1.09	\$1.06	-\$0.03

Economic Indicators				
Indicator	Release Date	Period	Actual	Survey (Median)
FOMC Rate Decision	7-Nov	Nov	4.75%	4.75%
Retail Sales Advance MoM	15-Nov	Oct	0.40%	0.30%
Existing Home Sales MoM	21-Nov	Oct	0.034	0.029
U. of Mich. Consumer Sentiment	22-Nov	Nov F	7180.00%	7390.00%
GDP Annualized QoQ	27-Nov	3Q S	2.80%	2.80%
PCE YoY	27-Nov	Oct	0.028	0.028
Change in Non-Farm Payrolls	6-Dec	Nov	227K	220K



Source: Bloomberg. Data as of November 30, 2024, unless otherwise noted.

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