



## Weekly Focus – Think About It

“It is difficult to make predictions, especially about the future.”

—Karl Kristian Steincke, Danish politician

# THE MARKETS

## NOT ONE, BUT TWO!

United States stock markets are serving another cup of cheer this year. The Standard & Poor’s (S&P) 500 Index returned more than more than 24 percent in 2023. This year, it was up 26.5 percent through the end of November.

It’s possible 2024 will end up in Wall Street’s bull market hall of fame, wrote Jan-Patrick Barnert of *Bloomberg*, because the year-to-date return of the S&P 500 ranks among its best performances of this century.

“Not many expected another blistering rally fueled by a handful of tech titans and market sentiment so bullish that one risk event after another got cleared without a scratch... Market swings were benign, with only one big valley of tears: a summer pullback that culminated in a small selloff around early August. The drop lasted for just less than a month and failed to cross the threshold of 10 [percent], typically seen as a correction.”

On a relative basis, U.S. stock markets have significantly outperformed stock markets elsewhere. Consider the performance of a few non-U.S. indexes through Thanksgiving.

Index name	Year-to-date return (thru Nov. 28, 2024)
MSCI Europe	0.98 percent
MSCI Europe, Australia and the Far East (EAFE)	2.95 percent
MSCI Emerging Markets (EM)	5.46 percent
MSCI Japan	6.14 percent
MSCI China	12.91 percent
MSCI India	13.54 percent

Over the year, the number of U.S. stocks participating in the rally rose. “The rally is broadening out...more stocks are advancing than declining. Typically, that phenomenon bodes well for the entire stock market. It’s a sign of better market breadth, meaning that the major indexes aren’t being led by just a small handful of stocks,” reported Paul R. La Monica of *Barron’s*.

However, La Monica also cautioned against becoming complacent, “...given how long it has been since Wall Street has faced any significant obstacle, it isn’t entirely clear what might happen if market or economic conditions suddenly head south.”

Last week, stocks jolted up and down as investors responded to data about political appointments, tariffs, and inflation data. By the end of the week, major U.S. indices were higher. Treasury bonds gained, too, as yields moved lower after president-elect Donald Trump nominated hedge-fund billionaire Scott Bessent to be U.S. Treasury Secretary. Many believe Bessent could be a moderating influence when it comes to taxes, tariffs, and the deficit, reported Mitchell Hartman of Marketplace.

Data as of 11-29-24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.1%	26.5%	32.6%	9.0%	13.9%	11.4%
Dow Jones Global ex-U.S.	1.1	5.3	10.6	-0.3	3.0	2.4
10-year Treasury Note (Yield Only)	4.2	N/A	4.3	1.5	1.8	2.2
Gold (per ounce)	-1.6	27.6	29.5	14.1	12.7	8.3
Bloomberg Commodity Index	-0.8	-0.5	-4.1	-0.2	4.9	-1.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

## THERE ARE A LOT OF QUESTIONS ABOUT TARIFFS

Last week, president-elect Donald Trump took to social media, promising to increase tariffs on China, Mexico, and Canada. One result was that internet searches related to the term “tariffs” increased sharply. These searches included:

- How do tariffs work?
- What is Trump’s tariff plan?
- Things to buy before tariffs
- Tariffs for dummies

Here are a few answers to common questions about tariffs:

**What are tariffs?** Tariffs are a form of tax that one country assesses on materials, parts, and products imported from another country.

**What do tariffs do?** In theory, raising prices on foreign goods will protect U.S. companies and jobs by encouraging Americans to buy goods that are produced in the United States. It doesn't always work that way because the country the U.S. imposes tariffs on is likely to respond in kind, adding tariffs to U.S. materials, parts, and products. A study of the 2018-19 trade war between the U.S., China and other nations found:

"The trade-war has not to date provided economic help to the U.S. heartland: import tariffs on foreign goods neither raised nor lowered U.S. employment in newly protected sectors; retaliatory tariffs had clear negative employment impacts, primarily in agriculture; and these harms were only partly mitigated by compensatory U.S. agricultural subsidies."

**Who pays for tariffs?** The cost of a tariff is paid by U.S. businesses and U.S. consumers. "The importer who brings the product into the country—be it a car or an avocado—is responsible for the tariff at the port of entry. Customs officials collect the tax and the money goes to the U.S. Treasury. The importer can pass the cost of the tariff along in the form of higher prices to the consumer. Or, in some cases, the manufacturer or importer may choose to absorb some or all of the cost, taking a hit to the bottom line," reported Tim Smart of *U.S. News & World Report*.

**How much will tariffs raise prices?** After the president-elect announced his tariff intentions, *Barron's* estimated "that a 10 [percent] tariff could raise the cost of a new car in the U.S. by 4 [percent] or 5 [percent] without any adjustments from auto makers. That was based [on] imports and where parts and cars are manufactured in North America. A 25 [percent] tariff on Canada and Mexico implies the price jump would be closer to 8 [percent]," reported Al Root of *Barron's*.

When countries fight by raising tariffs, it's called a trade war.

Best regards,

Andrew Zittell  
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### Sources:

Andrew Zittell, CLU®, ChFC®, AIF®, RFC® is a registered representative with, and securities offered through LPL Financial, Member FINRA/SIPC.

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\* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

\* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

\* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.

\* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

\* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

\* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

\* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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