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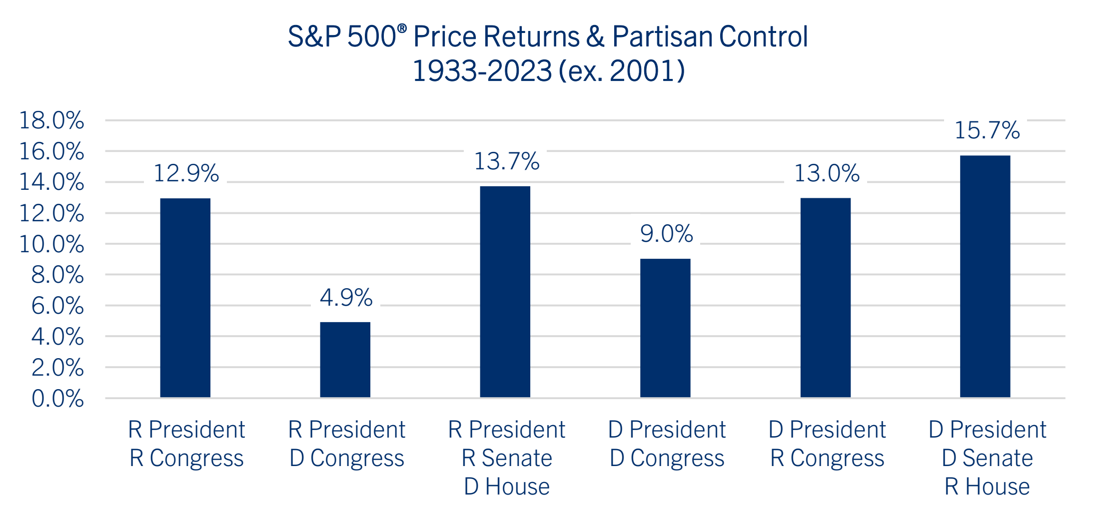
Policy

Election Results Fuel Market Optimism

History suggests a friendly environment for equities.

- The U.S. election results were a key driver of market performance in November. President-elect Trump's victory and Republican majorities in both houses of Congress fueled optimism that the incoming administration would be able to enact policy initiatives that will stimulate economic growth and benefit domestic industries.
- Historically, a unified Republican government has been a favorable environment for equity markets, with the S&P 500® producing an average annual return of 12.9% since 1933. There are several reasons to believe that this could be the case this time as well. The expected extension of the Tax Cuts and Jobs Act (TCJA) beyond its 2025 expiration, has supported near-term economic optimism.
- While the overall environment remains attractive for equities, potential downsides should not be ignored either. Many of the announced policy measures are inflationary, especially given that the US economy is still growing above trend and the labor market remains relatively tight. Tariffs have the potential to disrupt financial markets and weigh on investor sentiment.
- Looking ahead to 2025, historical trends offer additional support. The first year of a presidential term has, on average, been favorable for equities, with the S&P 500® posting gains of 10.2% since 1961. Still, careful attention to inflation trends and trade developments will be essential in gauging the policy environment's impact on markets.



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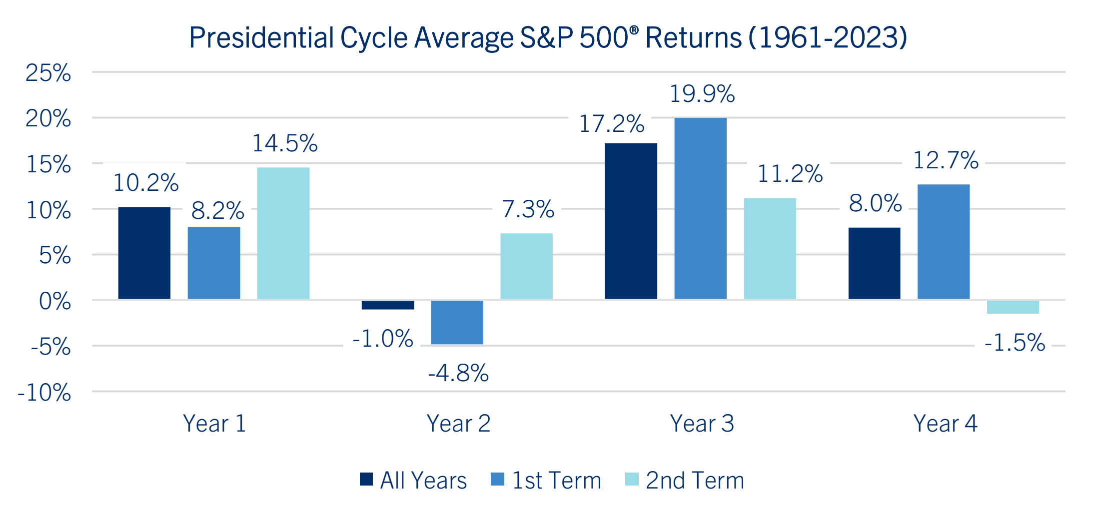


Source: Bloomberg L.P.

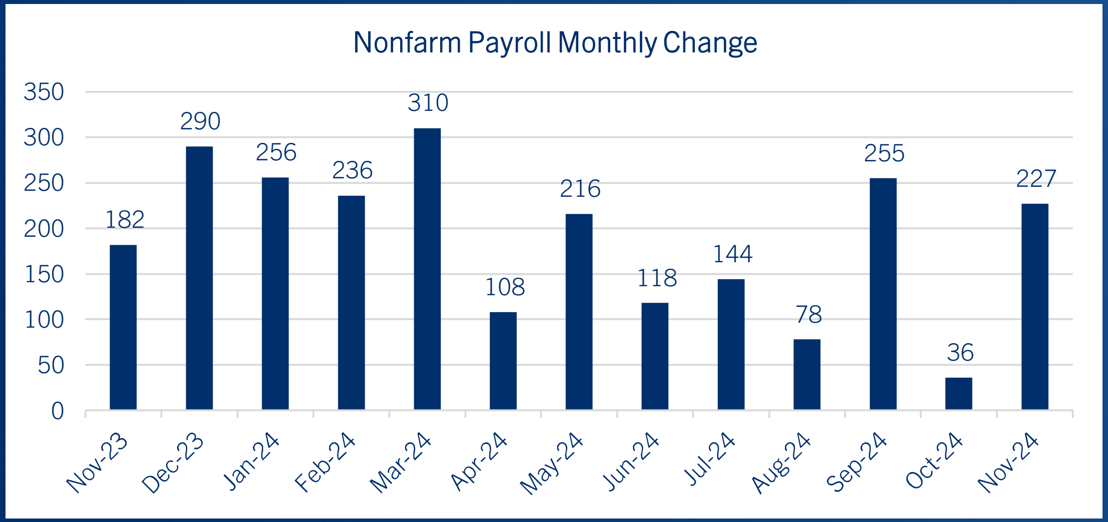
Comerica WEALTH MANAGEMENT

Economy

Consumers Remain Resilient

Strong job gains mask cracks in the underlying data.

- U.S. employment data painted a mixed picture in November. Nonfarm payrolls rose by 227,000, rebounding after strike-related disruptions at a major aircraft manufacturer and the impact of two hurricanes that hit in October.
- The three-month and six-month average payroll gains are 173,000 and 143,000 respectively, indicating a moderate pace. The unemployment rate ticked up to 4.2% in November, approaching the high for the cycle despite the labor force participation rate slipping to 62.5%.
- Inflation also ticked higher, with the Consumer Price Index (CPI) rising to 2.7%, up from a September low of 2.4%. This increase was partially due to base effects as lower 2023 readings rolled off, but persistent inflation in core services—led by shelter and auto insurance—remains a concern.
- U.S. consumers continue to support growth. High-frequency data showed a strong start to the holiday shopping season, underscoring the resilience of consumer spending.



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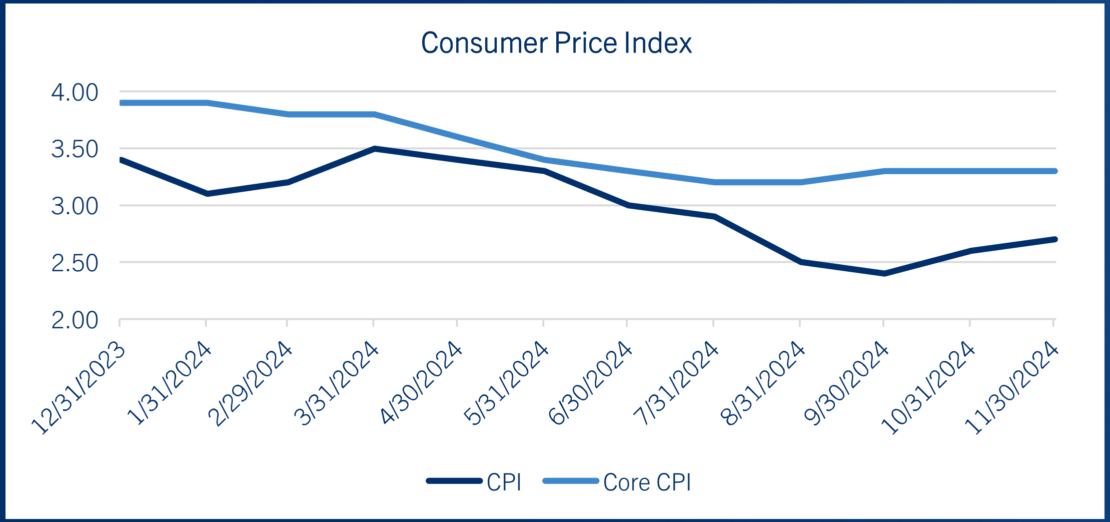


Source: Bloomberg L.P.

Investors Trim Rate Cut Expectations

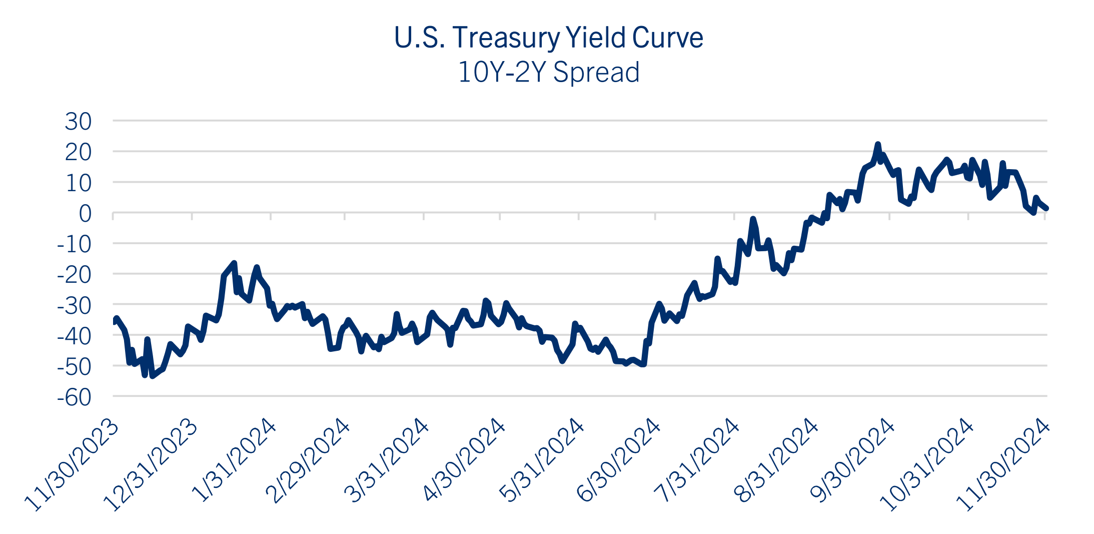
Market performance as of 11/30/2024

- Interest rates declined across the U.S. Treasury yield curve in November following the second consecutive interest rate cut from the Federal Reserve, a 25-basis point cut that brings the target to a range of 4.50%-4.75%.
- The bond rally was somewhat offset by a repricing of Fed rate cut expectations following the election. Bond investors reduced the number of rate cuts expected over the next 12 months to only three cuts as concerns that Trump's policy proposals could reignite inflation next year.
- The U.S. Treasury yield curve briefly reinverted as longer-dated maturities, which are less susceptible to expectations for the Fed Funds rate, fell by more than short-term Treasuries.
- The Bloomberg U.S. Aggregate Bond Index returned 1.1% during a month in which U.S. Treasury yields declined and credit spreads tightened.
- Indeed, credit spreads tightened again in November amid receding growth concerns and a benign earnings season.

Fixed Income

	Yield	Nov %	QTD %	YTD %	1YR %
Aggregate Index	4.64	1.06	-1.45	2.93	5.97
Treasuries (1-10 yrs)	4.16	0.52	-1.14	3.01	4.62
Treasuries (10+ yrs)	4.46	1.82	-3.48	-1.15	5.61
Corp - Inv Grade	5.05	1.34	-1.12	4.14	7.72
Corp - High Yield	7.14	1.15	0.60	8.66	12.34
MBS Pass-through	4.95	1.33	-1.54	2.89	6.18
TIPS	4.34	0.48	-1.32	3.47	5.56
Muni - Inv Grade	3.45	1.73	0.24	2.55	4.76
Muni - High Yield	5.26	2.15	0.59	8.12	10.99
USD Emg Mkts Debt	6.48	1.11	-0.28	7.86	11.94

Source: Bloomberg L.P.



Source: Bloomberg L.P.

Equity

Post-Election Rally

Market performance as of 11/30/2024

- U.S. equity markets rallied following the Republican victory on Election Day. The prospect of further tax cuts, expansionary fiscal policy, and the implementation of a more nationalist trade policy sent the S&P 500®, Dow Jones Industrial Average and NASDAQ Composite to new all-time highs.
- Small cap stocks were the best performer for the month as the Russell 2000 index gained 11.0%. Small caps benefited from expectations for a looser regulatory environment and the Fed's second consecutive interest rate cut.
- Each of the 11 S&P 500® sectors posted a positive return in November. Consumer Discretionary (+13.3%) and Financials (+10.3%) led during the month with the former benefiting from strong consumer spending and the latter from the expectation of regulatory relief under a Republican regime.
- Healthcare (+0.3%) was the weakest performing sector for the month as concerns about the new administration's less friendly stance towards the pharmaceutical industry weighed on the sector.
- Outside US markets, the election result was met with some caution. Emerging markets equities fell 3.6% during the month, while developed market foreign equities slide 0.6%. Both a stronger U.S. dollar and expectations for increased trade frictions weighed on international equities during the month.

Equities

	Price	Nov %	QTD %	YTD %	1YR %
Dow Industrials	44,910.65	7.74	6.39	21.21	26.10
S&P 500®	6,032.38	5.87	4.90	28.06	33.07
Nasdaq Composite®	19,218.17	6.30	5.77	28.88	35.36
Russell 2000®	2,434.73	10.97	9.36	21.57	32.51
Russell 3000® Growth	3,149.15	6.75	6.35	31.86	37.44
Russell 3000® Value	2,570.17	6.54	5.35	22.44	28.06
MSCI EAFE®	2,315.77	-0.55	-5.94	6.84	12.24
MSCI EM	1,078.57	-3.58	-7.74	8.10	12.93

Source: Bloomberg L.P.

S&P 500® Sectors

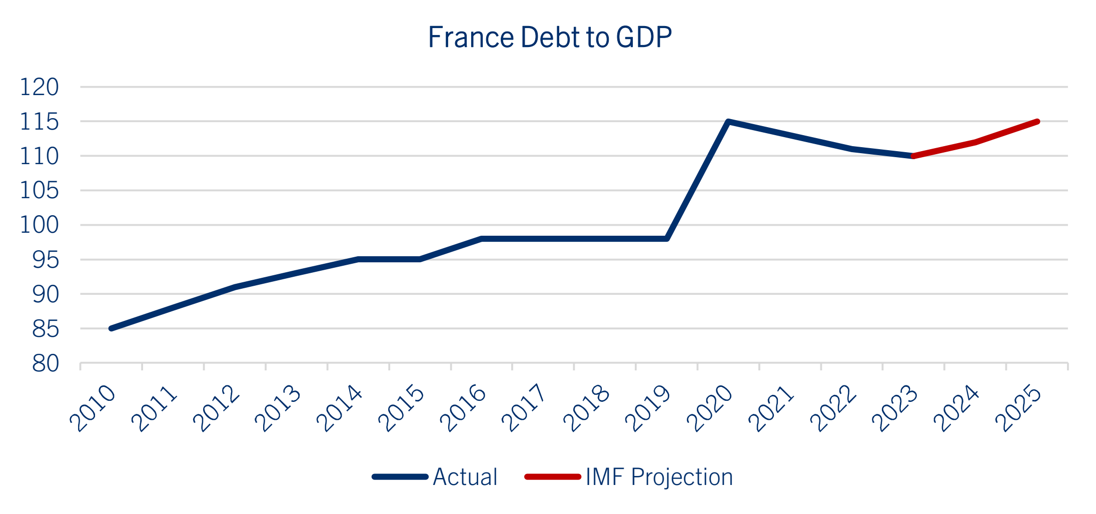
	Price	Nov %	QTD %	YTD %	1YR %
Communication Svcs.	330.15	3.10	5.10	35.38	42.22
Cons Discretionary	1,789.44	13.34	11.58	27.10	33.14
Cons Staples	900.88	4.74	1.81	20.89	23.65
Energy	724.06	6.93	7.77	16.79	16.14
Financial	851.98	10.28	13.24	38.04	44.38
Health Care	1,713.71	0.28	-4.35	9.37	13.63
Industrials	1,214.04	7.51	6.06	27.48	34.25
Info Tech	4,558.68	4.65	3.64	35.05	39.98
Materials	594.62	1.63	-1.91	11.96	15.72
Real Estate	281.69	4.12	0.71	15.12	22.56
Utilities	418.72	3.69	2.63	34.07	34.95

Source: Bloomberg L.P.

Global Growth Outlook Softens

Chinese equities give back October gains.

- The economic growth outlook in the Eurozone has been weakening due to growing political uncertainty and growing potential for trade wars.
- Despite resilient inflation, which rose to 2.3% in November, the European Central Bank (ECB) appears prepared to continue with its rate cutting regime. Weak demand in France and Germany should provide the ECB with enough justification for further rate cuts.
- In a striking development, 10-year French bond yields traded higher than their Greek equivalents as political uncertainty and debt concerns grow in France. The International Monetary Fund forecasts French debt to exceed 115% of GDP by the end of 2025.
- China in particular was hurt by the U.S. election results and the expectation for “tough on China” trade policies from Washington. The MSCI China Index, has retraced roughly two thirds of the October rally that was ignited by sudden policy measures intended to boost the economy.
- Japanese equities have been largely unresponsive to fiscal and monetary policy action, essentially trading flat over the last three months. The government has approved the economic stimulus package, which includes subsidies for the energy and semiconductor industries along with support for low-income households.



Source: Bloomberg

Source: International Monetary Fund, Bloomberg

King Dollar

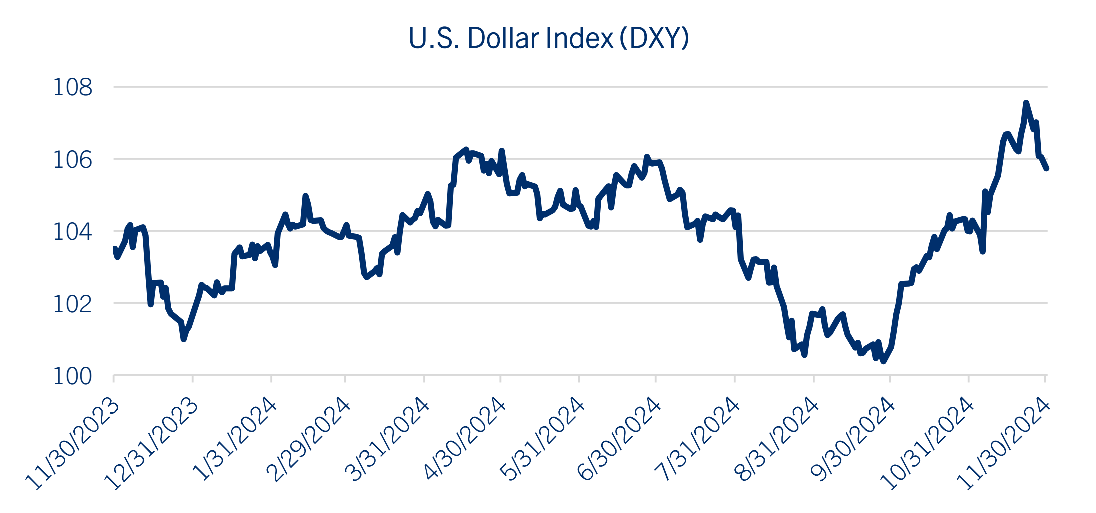
Dollar strengthens while commodities face headwinds.

- The US dollar index (DXY) rallied in November, gaining 1.7% on a trade-weighted basis. The perception that Trump's fiscal plans could be inflationary and potentially cut short the Federal Reserve's (Fed's) rate-cutting cycle led to the strongest consecutive monthly gains for the dollar in more than two years.
- West Texas Intermediate (WTI) crude oil finished the month 0.8% lower at $68.72 per barrel. Easing geopolitical tensions in the Middle East and lingering concerns over global supply-demand imbalances weighed on prices.
- Gold finished the month 3.7% lower. It was the first month-over-month decline for the precious metal since June. Indeed, gold has had tremendous momentum this year, gaining over 28% year-to-date.
- Copper fell another 6.0% in November and a total of 10.4% since the end of September. Falling prices has been primarily driven by concerns over softening demand from China. Chinese growth concerns have been mounting from several sources, including concerns over a future trade conflict. Weak demand, coupled with insufficient policy measures to address China's real estate and confidence crisis, has weighed heavily on the industrial metal.

Currency and Commodities

	Price	Nov %	QTD %	YTD %	1YR %
USD	105.74	1.69	4.92	4.35	2.39
Euro	1.06	-2.82	-5.01	-4.19	-2.82
GB Pound	1.27	-1.27	-4.79	0.03	0.20
Yen	149.77	1.51	-4.09	-5.83	-1.97
Gold	2,643.15	-3.67	0.33	28.12	27.55
Copper	408.05	-5.98	-10.38	4.88	4.39
WTI	68.72	-0.78	0.81	-4.09	-7.22

Source: Bloomberg L.P.



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