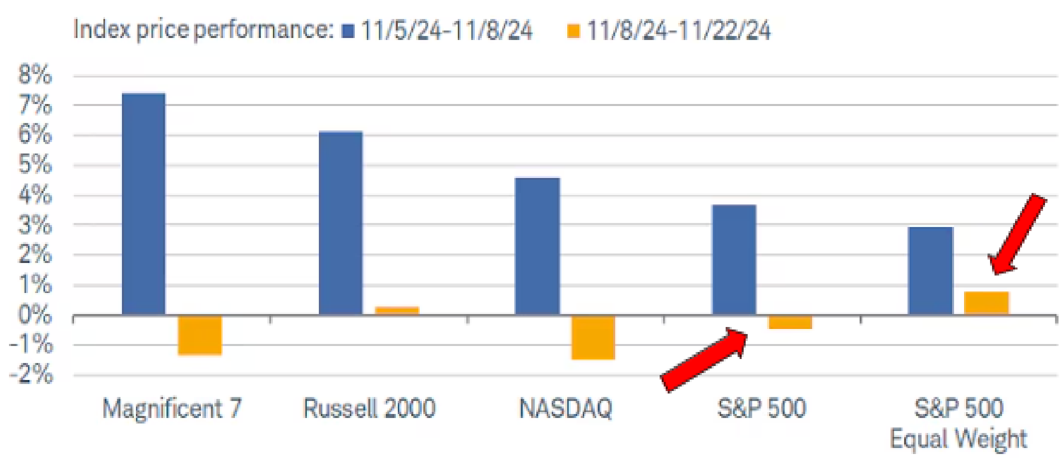
Huff Wealth Management

DECEMBER 2024

MARKETINSIGHT

Election Results and Economy Outlook: Following the US Presidential election, stocks rallied to new highs, showing broad based investor expectations over potential regulation pullbacks and lower corporate tax rates. Many well known large cap stocks such as Tesla, Nvidia, Apple, and Amazon rallied as much as 3-7% initially, followed by a small reversal in which most considered to be profit taking. But the stock rally quickly resumed, sending most indices to new highs, and indicating optimistic investor sentiment about future growth. Looking at the fixed income world, interest rates have begun to climb as investors consider the impact that higher trade tariffs might have on the economy. While some fear that higher tariffs will directly result in higher inflation, others see this posturing as a negotiating tool and the real results may not be as bad as feared.

Market Breadth / Performance: Strong market breadth that preceded the 2024 election has continued to be robust. Sector leadership has not changed much since the election, signaling that investors do not anticipate major policy change interrupting current stock momentum. Led by strong gains in Consumer Discretionary and Financials, the S&P 500 has reached new highs. However, this is not the case in the Health Care Sector, as fears of new regulations and higher scrutiny have muted gains. While all sectors are participating in the upside, individual sector leadership momentum never lasts forever, thus portfolio diversification is key.



Broadening Market Breadth Post Election: Following the initial strong gains immediately after the election (blue bars), the Equal Weighted S&P 500 index then went on to outperform the Cap Weighted S&P 500. This shows that market breadth has broadened - a clear indication of a strong and healthy market.

Source: Charles Schwab, Bloomberg as of 11/22/2024

Portfolio Positioning: The portfolio strategy has continued to perform well. Shortly after the election we increased the equity (stock) allocation to the high end of the risk bands in anticipation of a strong economy and positive market momentum through the end of the year and possibly the first quarter of 2025. Equity allocation has been spread out to Large Cap Blend and Value to further balance the portfolio. On the Fixed Income side, we continue to keep bond duration on the shorter side as the future direction of interest rates remains unclear. Inflation has stalled out around 3%, still well above the Fed's 2% target. In addition, uncertainty over the potential changes in fiscal policy has led the Bond market to push longer term rates higher - a direct contrast to the Fed's actions of lowering the overnight lending rate.

ben@huffwealthmanagement.com | 614-270-4111 | www.huffwealthmanagement.com