

11/4/2024

The Week Ahead

THINGS TO WATCH

Market Reaction to Election

Most polling aggregates and prediction markets suggest very tight races for president and both chambers of Congress. The U.S. stock market has seemed mostly unaffected by the political uncertainty; however, the bond market action could take center stage this week. An increasing number of commentators have suggested a sweep election by either party could put additional upward pressure on U.S. Treasury yields amid expectations for wider budget deficits. Most investors would probably view a divided government as 1) likely to result in a more moderate set of policies than either candidate championed on the campaign trail and 2) a subsequent reduction in the odds of further deficit expansion.

Fed Decision

On Thursday afternoon, the Federal Open Market Committee (FOMC) is widely expected to cut the federal funds rate by 0.25% to a range of 4.50% - 4.75%. The weaker-than-expected October payrolls number last week could reduce the chances that one or more FOMC members dissent from a decision to cut by another quarter-percentage point.

Travel Stocks

Investors will get an update on global travel demand trends with results from Marriott International (MAR), Airbnb (ABNB), Expedia (EXPE), TripAdvisor (TRIP), and Wynn Resorts (WYNN) this week. We will be watching to see if MAR's luxury U.S. hotel segment (Ritz-Carlton, St. Regis, JW Marriott) offset potential further weakness in its mainland China business focused in non-Tier 1 cities over the summer. ABNB's bookings growth will also be under the microscope after disappointing second quarter results and guidance were attributed to signs of slowing demand in the European travel market and U.S. guests opting for shorter stays.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
JOLTS Job Openings (Millions)	7.4	7.9	▼
Conf. Board Consumer Confidence	108.7	101.9	▲
GDP (Q/Q Annualized)	2.8%	3.0%	▼
Core PCE Price Index (Y/Y)	2.7%	2.6%	▲
Non-Farm Payrolls (Thousands)	12	144	▼
Unemployment Rate	4.1%	4.3%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	42052.19	-0.15%	13.28%	28.88%
NASDAQ	18239.92	-1.50%	22.21%	40.76%
S&P 500	5728.80	-1.35%	21.46%	37.12%
MSCI EAFE	2332.94	-0.63%	7.21%	21.10%
BB U.S. Aggregate	2202.17	-0.57%	1.51%	8.89%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.51%	4.57%	5.45%
10-Year Treasury	4.38%	3.73%	4.73%

REPORTS DUE THIS WEEK	LATEST
ISM Services PMI	54.9
Labor Productivity	2.5%
Continuing Jobless Claims (Thousands)	1,897
U. of Mich. Consumer Sentiment	70.5
U. of Mich. 1-year Inflation Expectations	2.7%

Total returns are as of 11/1/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

\$2 trillion

The amount of cloud computing sales expected by Goldman Sachs Research by 2030, which assumes a 22% compound annual growth rate over the next six years. Goldman analysts estimate that only about 30% of enterprise data workloads have moved to the cloud based on responses to recent proprietary surveys. According to the analysts, Generative AI could account for \$200 billion to \$300 billion of cloud spending by 2030.

45%

The decline in shares of Super Micro Computer (SMCI) last week following the unexpected resignation of the company's auditor Ernst & Young LLP, which cited concerns about the server company's governance and transparency. In August, noted short seller Hindenburg Research published a report alleging accounting issues at SMCI, leading the company to delay a 10-K filing. In September, the Wall Street Journal reported the Justice Department had launched an investigation into whistleblower claims of accounting violations.

DISCLOSURES



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