

GLOBAL MARKET SQUARE



FOMC Meeting and Election Day Stir Markets, With Fed Expected to Cut Rates by at least 25 Basis Points and Wall Street is Searching for Direction.

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European markets began the week mostly down ahead of the U.S. presidential election on November 5, capturing the world's attention.

In overseas markets, Asia saw gains overnight, and European indices closed mixed, following a sizable increase in recent weeks; bond yields have retreated, with the 10-year Treasury yield closing at 4.31%. In commodities, oil prices are up over 2%, fueled by OPEC+'s recent decision to delay a scheduled production increase by one month. Heightened geopolitical tensions in the Middle East are adding to oil's upward pressure, with reports suggesting Iran may respond to an Israeli airstrike conducted in late October.

Key Events This Week: U.S. Presidential Election and FOMC Meeting

The upcoming presidential election is poised to dominate market sentiment, with polls indicating a tight race that could result in potential recounts and an uncertain outcome on election night. Although political shifts often spur short-term volatility, we remind investors that economic fundamentals rather than politics primarily drive long-term market movements. The Federal Reserve will also conclude its November meeting this Thursday, expecting a 0.25% rate cut, bringing the target range to 4.5%-4.75%. If delivered, this would be the Fed's second rate reduction this cycle, with another possible cut in December.

Stock Performance Following Election Day

As election day draws near, political news can overshadow market fundamentals, but historically, the S&P 500 has fared well in the months after elections. Here's a snapshot of typical S&P 500 performance after presidential election days since 1960.

The market responded more enthusiastically to Biden's election in 2020 than to Trump's victory in 2016.

Nevertheless, the post-election period for both presidents was positive for equities, as the S&P 500 showed gains from Election Day to inauguration day.

- **2016 Trump 1 Day After:** The S&P 500 posted a return of 1.11%
- **2020 Biden 1 Day After:** The S&P 500 posted a return of 2.20%
- **2016 Trump 2 Months After:** Two months later, the index had a return of 6.16%.
- **2020 Biden 2 Months After:** Two months later, the index had a return of 14.33%.
- **2016 Trump 1 Year After:** A year out, the S&P 500 had a return of 21.26%.
- **2020 Biden 1 Year After:** A year out, the S&P 500 had a return of 38.33%.
- **Trump 2017-2021:** Total S&P 500 Return during the presidency was 69.59%.
- **Biden 2021-YTD 2024:** Total S&P 500 Return during the presidency was 48.31%.

Although no forecast can guarantee the same trends will hold in 2024, the S&P 500 has generally trended upward over the long term, reflecting economic growth, technological advancements, and

increasing corporate profits. However, individual presidencies have seen varying performance due to various factors, including economic policies, global events, and market cycles.

Since 1960, there have been only two Presidencies that achieved negative returns. President Nixon achieved a -23% S&P 500 return, and George W. Bush with a -39% S&P 500 return. Nixon's presidency was marred by the Watergate scandal and an oil crisis, while George W. Bush faced the fallout from the tech bubble burst, the 9/11 attacks, and the 2008 financial crisis.

Key Economic Data:

- **U.S. Retail Gas Price:** fell to \$3.22, down from \$3.268 last week, decreasing -1.47%
- **U.S. Durable Goods New Orders MoM:** is at -0.74%, compared to -0.85% last month.
- **U.S. Durable Goods Excluding Defense New Orders MoM:** is at -1.10%, compared to -1.32% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 509.21, down 1.69 points or 0.33%.
- **FTSE 100:** Closed at 8,184.24, up 7.09 points or 0.087%.
- **DAX Index:** Closed at 19,147.85, down 107.12 points or 0.56%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,794.80, down 257.59 points or 0.61%.
- **S&P 500:** closed at 5,712.69, down 16.11 points or 0.28%.
- **Nasdaq Composite:** closed at 18,179.98, down 59.93 points or 0.33%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,535.49, up 14.27 points or 0.41%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,760.76, up 0.45 points or 0.01%.
- **U.S. Treasury 10-year note:** closed at 4.31%.
- **U.S. Treasury 2-year note:** closed at 4.17%.

US Durable Goods New Orders, US Durable Goods Excluding Defense New Orders & US Retail Gas Price

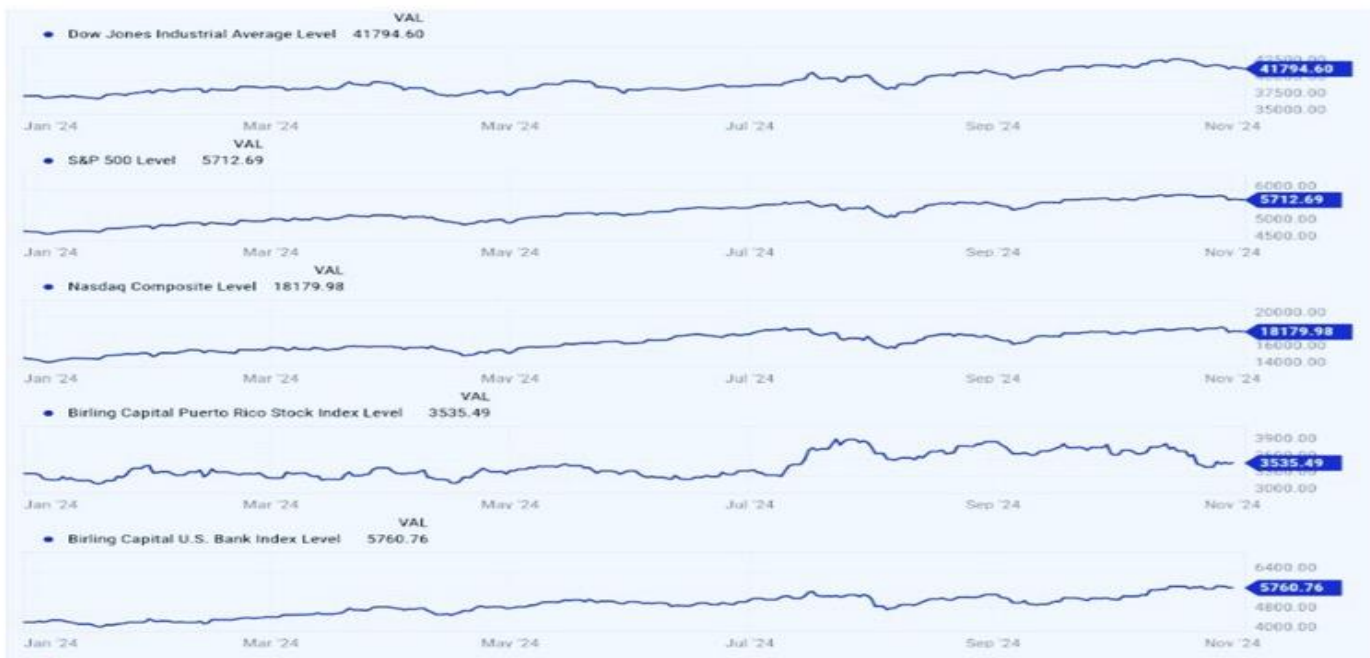
- US Durable Goods New Orders MoM -0.78%
- US Durable Goods Excluding Defense New Orders MoM -1.15%
- US Retail Gas Price 3.22





Wall Street Update November 4, 2024

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