

Market Commentary 11/12/24

An Oxford Harriman & Company Market Commentary

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Market Recap

Stocks moved higher this past week, with most gains occurring in the post-election period. The S&P 500 hit a new record, approaching the significant 6,000 level, as investors priced in expectations for the incoming administration's pro-growth, reflationary policies. Small caps led the advance, followed closely by growth and high-beta stocks. Sectors tied to U.S. economic expansion and deregulation, including Financials, Industrials, and Energy, saw notable gains, whereas defensive sectors lagged. Utilities and Staples posted losses, while Real Estate and Health Care made only modest gains.

Bond markets showed mixed performance; corporate bonds climbed as credit spreads narrowed, while Treasury bonds declined due to rising yields. International stocks underperformed as the strengthening U.S. dollar weighed on overseas assets. As anticipated, implied volatility measures dropped significantly, with the VIX hitting a nearly three-month low and the MOVE Index showing a steep reduction in expected yield volatility. Oil prices also rose following OPEC's decision to extend production cuts.

Election Results and Market Reactions

The week's standout events included the election and a key Federal Reserve meeting. Republicans gained control of the White House and Senate, with the House outcome still undecided. Stocks tied to deregulatory and domestic growth themes surged, particularly in banking (deregulation), small caps (growth focus), transports (manufacturing gains from reshoring), and Bitcoin (pro-cryptocurrency). In contrast, sectors facing potential policy shifts—such as Treasury bonds (due to deficit and inflation concerns), EV manufacturers and clean energy (reduced tax incentives), and retail (trade policy risks)—faced early declines.

While we believe these initial moves reflect optimism based on past policies and campaign messaging, the realization of these expectations will hinge on many factors, including which political party has control of the House. Additionally, investors should also consider the evolving economic landscape, which differs markedly from the prior pro-growth period in 2016.

Have a good week ahead,

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S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

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