ISSUE #4

Creative Planning Creative Living

RESOLUTE WEALTH PARTNERS
A NORTHWESTERN MUTUAL PRIVATE CLIENT GROUP

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What's Going On?

We are thrilled to share with you the latest news and developments in our mission to make a positive impact in our community and our client's lives.

This month, we've been working on getting ready for the holiday season and 2025! Between the holidays, the upcoming tax season, and new regulatory shifts starting next year, we're working hard to make sure there's little disruption to the service and expertise you deserve.

If you have any suggestions for content you'd like to see, questions, comments, or simply want to say hello, please feel free to reach out to us at resolutewealth@nm.com. Please note: We have changed our phone number to better serve you. Our main line is now 303-999-3555. Give us a ring!

Cheers!

Your Resolute Wealth Team

In this Issue...

Wall Street Wrap

Consumer Sentiment Climbs: Consumer sentiment rose to 73 in November, up 2.5 points from October's final upwardly revised reading of 70.5, according to the latest consumer sentiment survey released by the University of Michigan. Views of current economic conditions held steady at 64.4. Expectations about the future strengthened, with the latest reading coming in at 78.5, up from October's final level of 74.1 and the highest level since July 2021.

Inflation expectations for the year ahead fell to 2.6 percent, down from 2.7 percent last month and at the lowest reading since December 2020. Long-run inflation expectations came in at 3.1 percent, up 0.1 percent from October's final reading.

Services Sector Strengthens: While the manufacturing side of the economy continues to struggle as shown by the most recent manufacturing report from the Institute for Supply Management (ISM) checking in at a historically weak 46.5, the services side continues to prop up growth. The latest headline reading from the ISM shows activity in the services sector rose in October with a reading of 56, up 1.1 points from September's reading and the highest level since July 2022. New orders remained strong at 57.4, down modestly from September's 59.4 reading but still comfortably in expansion territory. Demand for workers grew, with the employment index coming in at 53, up from September's contractionary reading and the highest reading since August 2023. For much of the year, the employment index has pointed to shrinking payrolls; however, the latest reading marks the third time in four months in expansion territory. Should this trend continue, it could lead to more wage pressures on the side of the economy that is still experiencing inflation above the Federal Reserve's target of 2 percent.

Prices paid by companies increased for the 89th consecutive month. The prices index came in at 58.1 percent, down from October's level of 59.4. In total, 15 industries reported higher costs, up from 12 the previous month. Only one industry (management of companies and support services) reported lower costs.

Events

December 10, 2024

The Markets, The Election, and You

Are you curious about how the election might impact the financial markets? Join us for an insightful Lunch & Learn session where we delve into the interplay between politics and market trends.

Whether you're an investor, a business owner, or simply interested in understanding the financial landscape, this session is designed to equip you with valuable knowledge to navigate the months ahead.

Why Attend?

- Expert Insights: Hear from our seasoned financial experts who will break down potential market scenarios based on election outcomes.
- Live Q&A: Participate in an interactive Q&A session to get your burning questions answered.
- Networking: Connect with like-minded professionals and expand your network over a delicious lunch.

Don't miss this opportunity to gain a clearer perspective on the markets and make informed decisions about your financial future. We look forward to seeing you there!

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Resolute Firm Updates

Brenden Hughes & Austin Jacobs Named as Partners

We're so thrilled to congratulate Brenden Hughes and Austin Jacobs as partners of Resolute Wealth!

Brenden Hughes has been an integral part of Resolute Wealth Partners for over five years, consistently demonstrating exceptional leadership, dedication, and expertise in financial planning. His client-first approach and deep understanding of comprehensive wealth management have significantly contributed to the firm's success and client satisfaction.

Austin Jacobs, CFP®, brings a wealth of experience in investment management and financial analysis. Since joining Northwestern Mutual / Resolute Wealth Partners over ten years ago, Austin has played a pivotal role in developing and implementing robust investment strategies that align with clients' goals and risk profiles. His analytical acumen and commitment to excellence have been instrumental in driving the firm's growth and reputation.

We're incredibly proud of Brenden and Austin, and we're thrilled to give our clients their incredible acumen!

Stocks surged last week, with each of the three major indices closing at new record highs. Much of the strong performance was driven by expectations that a second Trump administration would loosen regulation of businesses, possibly lower corporate taxes and pursue what are widely believed to be pro-growth policies, which investors expect would result in a broadening of economic growth. Importantly, the potential for a broadening of economic strength benefited a wide swath of the market, including U.S. Small and Mid-Cap stocks—two areas of the market we have identified as historically cheap relative to their Large-Cap counterparts. Indeed, Small Cap stocks outpaced Large Caps for the week, and stocks in most industries rallied. At the same time, bond yields initially rose in the aftermath of the election (yields move inversely to price), possibly signaling not only expectations of stronger growth but also the potential that tariffs and tighter immigration may provide a counterbalance and could serve to push inflation and interest rates higher in the intermediate and long term than previously expected. However, likely reflecting the unknown details of any such proposals coupled with their uncertain impact on overall economic dynamics, interest rates pulled back to end the week. The temptation to make large bets in the markets after a major election can be strong, but as we've consistently noted, there are risks in doing so.

This view was echoed by Federal Reserve Chairman Jerome Powell in his press conference following the latest Federal Open Market Committee meeting, at which the Fed voted to cut rates by 25 basis points. "Clearly, the legislative process takes a lot of time. And, of course, the real question is not the effect of that law, it's all of the policy changes that are happening: What's the net effect and, you know, the overall effect on the economy at any given time?" Powell said.

While Powell avoided answering questions about the impact the new administration may have on the economy, he noted that members of the Fed view current risks to each side of its dual mandate of maximum employment and price stability to be even. The significance of this view is that it likely gives the Fed more latitude in the pace and size of cuts going forward. Simply put, with parts of the economy showing remarkable resilience and the labor market loosening but still appearing to be strong, the Fed is under less pressure to act on rates. Indeed, following Powell's comments, market expectations of the number of rate cuts going forward fell, with the consensus being that the Fed would likely cut again in December by 25 basis point and then pause at its first meeting of 2025. For context, shortly after the first rate cut in September, the market was pricing in expectations the Fed funds rate would be at 3 percent in June 2025. This level was widely viewed at the time as a level where rates would neither stimulate nor slow economic growth. Since then, market views have dramatically shifted, and investors are now pricing in expectations that rates will be at 4 percent in June and won't even dip below 3.75 percent until well into 2026.

The U.S. economy has become highly bifurcated as elevated interest rates have had widely varying impacts on different segments and industries. Low- and middle-income consumers are facing high prices at a time when their savings are depleted, and they continue to struggle as floating-rate debt (such as credit cards and auto loans) remains elevated. Contrast that with higher-income consumers, who often have fixed-rate mortgages with houses that have appreciated in value even as rates have increased. These individuals often have savings accounts that have benefited from increased rates, while equity markets have also pushed to all-time highs. Similarly, large companies are getting larger, while smaller companies that rely on floating-rate debt are struggling. Manufacturing has been in a slow environment for much of the recent past, while the services side has remained relatively robust.

Ironically, despite the Fed's recent rate cuts that have brought short-term rates down, interest rates on intermediate- and longer-term debt have risen, with the two-year Treasury rising 0.71 percent from its recent post-rate-cut low, while the 10-year has now risen by 0.68 percent. Evidence of how these moves affect consumers is reflected in how mortgage rates reacted. The Bankrate 30-year fixed national average mortgage rate has risen from 6.58 percent in mid-September to 7.23 percent at the end of last week. Put simply, rates have moved higher and continue to put pressure on rate-sensitive parts of the economy.

Core inflation has proven stubborn, yet consumer optimism may lead to greater demand for goods and services, which could slow the disinflationary process for the services side of the economy. Similarly, while the trend in jobs growth has been weak over the past several months, the pace of wage growth has declined at a slower pace and is still above a level consistent with the Fed's goal of sustainable inflation readings of 2 percent. Should demand for workers in the services side of the economy continue to hold firm, it may take an extended period before wages no longer pose a threat to reaccelerating inflation or results in margin compressions for businesses. Likewise, as last week's University of Michigan Sentiment survey showed a jump in consumer optimism, some of the improved outlook is likely tied to expectations of additional rate cuts by the Fed. If those fail to materialize, it could lead to disappointed consumers reining in their spending.

How Can We Help?

Are you up-to-date on your financials? Have questions on your plan? Has anything changed in your career, family, or financial situation? Know someone who could use our help?

Reach out to us today! We're happy to discuss what we can do to make your experience more beneficial.

Refer a Friend | Schedule Meeting | Submit Feedback

"Markets Soar as Investors Bet on a Surge for the Economy, November 11, 2024" For the full article and disclosures, click https://www.northwesternmutual.com/life-and-money/markets-soar-as-investors-bet-on-a-surge-for-the-economy/

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RWP.NM.COM | 303-999-3555 | 7800 E. ORCHARD RD., SUITE 200 GREENWOOD VILLAGE CO 80111