ISSUE #5

Creative Planning Creative Living

RESOLUTE WEALTH PARTNERS
A NORTHWESTERN MUTUAL PRIVATE CLIENT GROUP

DECEMBER 2024

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.

Happy Holidays! As we wrap up the year, we wanted to let you know just how grateful and thrilled we are to be part of your lives. We greatly appreciate your confidence and trust in us, and we're focused on making 2025 a fantastic year for all.

The team was able to gather with the rest of our Greenwood Village office to celebrate the holidays at our annual party, with our own Eric McGough serving as our Santa Claus, gifting presents to the children of our employees. We had a great time being together, celebrating, and relaxing before the chaos of the rest of the holiday season.

We hope your holidays are wonderful, bountiful, and safe, and we look forward to seeing you in 2025!

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

More on Employment: Announced job cuts in November totaled 57,727, up 26.8 percent from the same month a year ago according to the latest report from Challenger, Gray & Christmas Outplacement Services. This marks the eighth month this year that announced job cuts were higher compared to the same month in 2023. In total, more than 722,500 job cuts have been announced, which, with the exception of the COVID year of 2020, is the highest year-to-date total level since 2009. The year-over-year jump in cuts comes as the number of announced new hires year to date is now at the lowest level since 2015 as recorded by the outplacement firm since the report's inception in 2005. The latest data shows companies have announced plans to hire 761,954 people this year.

More than one-third of the cuts announced last month were attributed to market and economic conditions. For the year, just shy of 148,000 job cuts were part of cost-cutting measures, while another 132,467 were blamed on the market and economic conditions. The number of cuts made for cost-cutting and economic reasons fits with several economic surveys we follow that show many businesses are experiencing still-elevated input costs at a time when they lack pricing power, and many consumers are opting for less expensive options when making purchases.

Growth in Services Sector Slows: The latest headline reading from the ISM shows activity in the services sector came in at 52.1 for November, down 3.9 points from October's reading. While lower than the prior month, growth was solid, with 14 of 18 industries covered by the survey reporting an uptick in activity and 13 reporting an increase in new orders. Overall, new orders came in at 53.7, down from October's reading of 57.4 reading but still comfortably in expansion territory. New orders have trended down since September's reading of 59.4 but are consistent with the pace of growth we saw throughout the summer.

Manufacturing Weakness Continues: The latest headline reading from the Institute for Supply Management (ISM) shows that manufacturing activity remains weak, with November's measure at 48.4, up 1.9 points from October but still at contractionary levels (readings below 50 indicate contraction for the sector). The latest level marks the eighth consecutive month of contractionary readings and the 24th time in the past 25 months that the reading has been below 50. Readings for new orders improved and are now showing some tepid growth with a reading of 50.4, up from the prior reading of 47.1. Order backlogs fell further into contractionary territory to 41.8 compared to 42.3 for the prior month.

The employment index continues to signal shrinking payrolls, albeit at a slower pace. The latest reading of the employment index came in at 48.1, up 3.7 points from October. Weak demand for employees was widespread, with 10 of 18 industries reporting a decrease in employment and only one of the six major industries (food, beverage and tobacco products) reporting an increase. According to the report, companies taking part in the survey continue to pare payrolls through layoffs, attrition and hiring freezes. The relative balance in the employment picture for manufacturers is reflected in the approximately 1:1.5 ratio of hiring versus staff reduction comments, compared to a 1:3 ratio the previous month, meaning less workforce reduction activity.

The pace of increased input costs eased but is still rising, with the latest reading coming in at 50.4, down from 54.8 in October. This measure has been volatile during the past several months. As such, it is too early to tell if the slowing of price increases is the beginning of a trend or simply statistical noise.

Resolute Firm Updates

Partnering with Fidelity to Inform Your Decisions

Thank you to Rob Darnell, our partner at Fidelity, for joining Resolute Wealth and clients at our “The Election, The Market, and You” lunch and learn event at Ocean Prime on December 10th!

We’re so glad we were able to provide valuable information about the incoming administration and the potential effects on the market. We were able to discuss questions, scenarios, and all of the “What ifs” that were of concern, all while enjoying a delicious lunch at Ocean Prime.

Thank you to all of our clients who were able to attend in person for your time and contributions. For anyone who was unable to attend, you can find a recording of the event (complete with Q&A session) online at any time here.

Happy Anniversary!

Happy 4-year anniversary to our Director of Planning, Chris Snobeck!

Chris came to RWP after working in the Northwestern Mutual umbrella and has since streamlined, updated, and improved our planning process and planning expertise.

We’re so thrilled to have him and thankful he’s spent these 4 years with us!

Equities rose last week, with the S&P 500 and the NASDAQ each closing at new record highs on Friday. The Dow Jones gave up some of its recent gains, finishing down modestly for the week. The move higher came as employment figures released during the week once again painted a muddled picture of the underlying strength of the job market.

To be sure, last week's Nonfarm payroll report from the Bureau of Labor Statistics (BLS) showed solid growth with 227,000 new jobs added in November, including 194,000 positions in private industry. The latest figure may be affected by a rebound in hiring following October when hurricanes Helene and Milton led to weak job growth. In order to smooth out the impacts of the hurricanes and labor strikes, we look at three- and six-month trends and see that job creation in the private sector remains positive with gains of 138,000 and 108,000, respectively. The diffusion index (which measures of the portion of the 250 industries covered by the report that added jobs versus those in which employment is unchanged or declining) rose to 56.2 percent but was down from September's pre-hurricane level of 59.4 percent.

The BLS's other jobs report, the Household survey, offered a far weaker picture with 355,000 fewer people employed in November than October. The unemployment rate edged higher to 4.246 percent from 4.1 percent the prior month. It's worth noting that the rise of the unemployment rate came despite an estimated 193,000 people opting out of the job market. Recall that when the unemployment rate hit 4.3 percent in July and triggered the oft-cited Sahm rule (which has been a reliable indicator of coming spikes in the jobless rate), Fed Chair Powell pointed to a rise in labor participation as a benign reason for the uptick. Over the past 12 months, the Household data shows job losses of 725,000; going back to 1955 (with the exception of 1957), every time the 12-month Household number was negative, the economy was in or headed towards a contraction. Additionally, over the past few months we have seen a sharp increase in the number of people who have been unemployed for more than 27 weeks. The number has grown from 1.25 million in April to 1.661 million in November. This sounds another potential warning bell for the labor market given that, historically, increases this large have signaled further economic and labor market weakness.

As we've often seen during the past year, the Household survey estimates of positions are materially different than those found in the Nonfarm report. Typically, the Nonfarm data and the Household estimates can vary over short periods of time, but eventually the gap narrows. Given the downward trend in Nonfarm payrolls revisions over the past 18 months, we believe it is likely the final estimates will be directionally more in line with the Household survey.

While the markets have become accustomed to the conflicting messages from various measures, comments by Chair Powell last week highlighted how the disjointed data can lead to the Fed acting on imperfect information. In an interview, the chairman acknowledged that the job market was stronger than originally thought when the Federal Open Markets Committee voted to cut rates by 50 basis points, in part because of a softening employment picture. Given the seemingly strong employment picture, along with signs of solid economic growth and inflation that has shown more resiliency than previously expected, Powell said the Fed didn't need to rush to make future cuts: "The good news is that we can afford to be a little more cautious as we try to find neutral."

However, barring a surprise spike in this week's Consumer Price Index (CPI) release, we believe the Fed will take heed of the continued slowing signs of the labor market and cut rates in December. As we push into 2025, the Fed will continue on a data-dependent and reactive stance in making rate decisions. Given the muddy nature of jobs data, the Fed faces a difficult task as it tries to balance between cutting too aggressively and risking a reawakening of elevated inflation, all the while being mindful that if it cuts too slowly, it could cause additional pockets of weakness in the economy.

Given this uncertainty, we continue to believe investors should follow a plan that accounts for inevitable twists and turns. We believe the best approach to an unknowable economic outcome is diversification. And while diversification is often viewed as a defensive tool, we believe it should be considered an all-weather approach that allows investors to have exposure to asset classes that may perform well even as others lag.

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

"Wall Street Cheers the Latest Jobs Numbers, December 9, 2024" For the full article and disclosures, click https://www.northwesternmutual.com/life-and-money/wall-street-cheers-the-latest-jobs-numbers/

RESOLUTE WEALTH
PARTNERS