



STONEBRIDGE  
Capital Advisors

# Monthly Market Commentary

November 2024 Review

# MARKET COMMENTARY

## Equity Review

November was an eventful month to say the least. The market was braced for volatility as the third quarter earnings season concluded and the 2024 U.S. Presidential Election was decided. Certainty replaced uncertainty with solid corporate earnings results, favorable economic data, and an uncontested election result. In terms of market performance, it was the best month of the year with the S&P 500 advancing 5.8%. Stocks in the financial, discretionary and energy sectors posted strong returns; small cap stocks increased 10.97%. A key theme among November's market winners was the view that they would benefit the most from a change in our government administration and a Republican sweep of Congress.

While it is too soon to form investment strategies based on the election's outcome, earlier this month our Chief Economist – Daniel E. Laufenberg, Ph.D. - authored a piece covering the main themes. In this article, he highlights three broad areas from Donald Trump's campaign and their potential impact on the economy and markets:

- Protectionist Trade Policy
- Regulatory Reform
- Tax Reform

If you happened to have missed the first distribution or would like a refresher, you may find Dr. Dan Laufenberg's Economic Outlook Update by visiting our website at

[www.stonebridgecap.com](http://www.stonebridgecap.com)

President-elect Trump favors a more protectionist trade environment to reduce the U.S. Trade Deficit and a key element of his policy is imposing tariffs on imported goods. There is real debate as to the effectiveness of tariffs which can raise prices, limit the flow of goods, or cause countries to retaliate with their own tariffs. Nonetheless, Trump has announced significant potential tariffs on several of America's largest trading partners. It is too early to tell what will solidify into policy versus being the first salvo of a complex negotiation. Using Trump's first term as a guide, it will likely be a combination of both.

Reducing regulatory burdens for businesses will also be a focus of the new administration. Regulatory reviews should be undertaken to ensure that the intended goals of the regulation are being achieved in a cost-effective manner. Financial and Energy companies could be beneficiaries of reduced regulatory burdens (note the strong November stock performance of these groups discussed above). Expect other winners and losers to be identified as more concrete regulatory plans are announced.

President-Elect Trump campaigned for lower taxes, hovering around various ideas including extending the tax cuts from his 2017 Tax Cuts and Jobs Act, reinstating state and local tax deductions (SALT), lowering corporate tax rates based on domestic production, and exempting various types of income from income taxes. Certainly, lower taxes appeal to every voter but if government spending is not reduced, revenues must come somewhere. Tariffs will likely be used to some degree to balance potential tax cuts, but we will need to see concrete tax policy proposals. For now, any specifics are speculative, but it is safe to say the potential for lower taxes must be balanced with the realities of fiscal policy.

The recent pre- and post-election market moves highlight the ever-present uncertainty of the investment environment. Adding Donald Trump's dramatic announcements, often delivered through social media posts, can also amplify short term market moves. Clients are best served with investment solutions focused on appropriate asset allocation, diversification, and security selection to help achieve their investment return objectives based on their risk tolerance and investment horizon. Building the investment plan and adhering to the plan allows investors to filter out the near-term noise that is always a part of the investment environment. This, in turn, reduces the risk of making portfolio changes at inopportune moments. As the macro environment shifts, it is fine to reevaluate the opportunity set, however, an individual's asset allocation must be orientated to long-term goals and objectives. The latest election is yet another reminder that keeping a calm head leads to the best opportunity for long-term success.

*Disclosure: Advisory services offered through Stonebridge, an investment adviser registered with the U.S. Securities & Exchange Commission. The views expressed here reflect those of Stonebridge Capital Advisors as of 12/04/2024. They may change as economic fundamentals and market conditions change. This commentary is provided as a general source of information only and is not intended to provide investment advice for individual investor circumstances. Past performance does not guarantee future results.*

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# MARKET COMMENTARY

## Fixed Income Review

Bond yields remained elevated above September lows (when the Fed began tightening) over the last month as the market weighed the changing policy ramifications from the new administration and digested economic data that called into question the speed and scope of further rate cuts. The Treasury curve continues to read above 4% after longer dated maturities had fallen into the 3's earlier in the quarter.

As of this writing, bonds have strengthened once again, drawing yields lower to begin the month. Corporate bond credit spreads remain tight as demand from investors to lock in historically attractive nominal yield levels shows no sign of slowing. Some municipal market participants are starting to question whether the incoming administration could pose a threat to the tax-exemption if it goes looking for "new" tax revenue sources.

Given the critical nature of the exemption as a low-cost infrastructure funding source for local governments, the odds seem less than likely, but any threat needs to be taken seriously because of the wide-ranging and unintended negative impact it could have.

Turning to strategy, until a forward path for longer-term rates becomes clearer, we continue to focus on moving new cash into a mix of shorter and intermediate maturities and moving called and maturing principal in portfolios into the intermediate area, where appropriate, to increase yield pick-up without maxing out duration and interest rate risk.



Take measured risk.

- *Doris P. Meister*



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# OVERVIEW

## Key Moves

### Equity Index Returns

10/31/2024 - 11/30/2024

**S&P 500:**  
5.87%

**Dow Jones:**  
7.74%

**NASDAQ:**  
6.30%

### Fixed Income Market Moves

10/31/2024 - 11/30/2024

**2-Year Treasury:**  
4.16% to 4.13% (down 3 bps)

**10-Year Treasury:**  
4.28% to 4.18% (down 10 bps)

**10-Year A-rated Corporate:**  
5.07% to 5.16% (up 9 bps)

**10-Year AAA-rated Municipal:**  
3.01% to 2.78% (down 23 bps)

## Equities

Stonebridge's equity investment style provides a method for growth and income generation. Within this style, we utilize three equity strategies to invest in industry-leading, domestic companies with solid fundamentals. Principally, we focus on large-cap equities because they are more mature companies who offer attractive growth potential and generally experience lower volatility.

Our equity strategies are designed to achieve varying client investment goals and risk tolerances.

**LARGE CAP GROWTH**  
est. January 2001

**GROWTH & INCOME**  
est. March 2015

**DIVIDEND INCOME**  
est. March 2011

## Fixed Income

Stonebridge's approach to fixed income seeks to provide principal protection, asset liquidity and income generation. We manage two fixed income strategies - taxable bond and tax-exempt municipal bond - that both utilize individual securities, and are broadly diversified across sectors and issuers. We maintain a conservative risk profile, focusing on investment-grade credit. Individual security selection is made through a bottom-up approach that identifies relative value among issuers within each sector.

Our fixed income strategies are custom tailored to meet each individual client's unique investment goals and income requirements.

**TAXABLE**  
est. December 1998

**TAX-EXEMPT**  
est. June 1997

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# ABOUT THE AUTHORS



## **Michael Dashner, CFA**

*Director of Equity, Portfolio Manager*

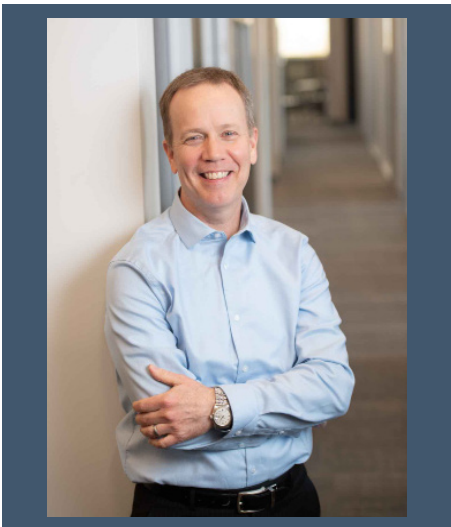
Michael Dashner is both Director of Equity and Portfolio Manager for Stonebridge. As Director of Equity, he is responsible for trading, analysis, allocation, and management of the firm's equity strategies. As a portfolio manager, he works directly with clients and advisors to establish customized investment portfolios for high-net-worth clients. Michael is one of the Portfolio Managers of the covered call strategy.



## **Jon Lynn**

*Director of Equity, Portfolio Manager*

Jon Lynn is an owner of Stonebridge, a Portfolio Manager, and serves as the Director of Fixed Income. Jon is responsible for leading the taxable and tax-exempt fixed-income team where he oversees credit analysis, trading, and portfolio management. Jon is a member of the Stonebridge Investment Review Committee and Research Committee.



## **Brent Mellum, CFA**

*Portfolio Manager*

Brent Mellum joined Stonebridge with over 30 years of experience delivering client results through constructing and managing portfolios and security analysis. As a portfolio manager, Brent works directly with our clients to provide full-service portfolio management – from developing goals and investment objectives to day-to-day portfolio activities. He is a trusted advisor who values relationships and opportunities for partnership.