

What happened last week:

- **All-Time Highs:** Both domestic large- and small-caps hit fresh all-time highs over the holiday- shortened trading week.
- **Rates Lower:** Treasury yields fell last week, supporting the rally in U.S. equities.
- **Trump's Tariff Talk:** Investors only had a few days to process President-elect Trump's tariff threats, which weighed on Europe.

What we're watching this week

- **Jobs Data:** Economists expect a sharp rebound in November payrolls following October's hurricane-and-strike skewed data; Tuesday's JOLTS data also adds to the labor picture.
- **Economic Survey Data:** Global PMIs from the U.S., Europe, Japan, and China to key investors on global growth outlook following the results of the U.S. election.
- **Tariff Policy:** Trump's initial threats were walked back quickly last week, but the risk remains.

Market Perspectives

- **Equity Market Recap:** November ended positively for stocks during a holiday-shortened week. The S&P 500 hit a record high and traded above 6,000 last Friday, capping a 6% monthly gain. Small-cap stocks also reached a new peak after their best month since December 2023. Optimism about the incoming administration's economic and regulatory policies, including the market-friendly nominee, Scott Bessent, to head the Treasury Department, has yielded a repeat of the 2016 playbook for equities with financials and small-caps outperforming.
- **Interest Rates:** Falling U.S. interest rates supported equities last week as well. The 10-year Treasury yield is now below pre-Election Day levels, defying expectations of a post-Red Sweep spike in benchmark rates. Bessent's nomination contributed to the decline. In addition, global growth concerns, fueled by weak European economic data, have also contributed to the lower interest rates. The next Fed meeting is in the middle of December. Currently, markets are pricing in roughly a 70% chance the Fed will cut interest rates by 25 basis points. However, the upcoming unemployment report on Friday may impact the likelihood of a rate cut.
- **Key Items:** The most important macro event this week will be Friday's jobs report. Economists expect a sharp rebound in employment from last month's massive miss in payroll adds owing to labor strikes and hurricanes. A handful of Fed speakers will hit the tape following the report, signaling to the market whether the data warrants another 25 bps cut or a pause in policy easing. Investors will also continue to digest last week's tariff developments, like Trump's surprise 100% tariff threat to the BRICS nations and the 25% tariff on all Mexican and Canadian goods. Throughout the week, we will also monitor global business sentiment surveys from the U.S., Europe, Japan, and China, to name a few key regions.

CPI = Consumer Price Index, PPI = Producer Price Index, PMI = Purchasing Managers' Index, PCE = Personal Consumption Expenditures Price Index.

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