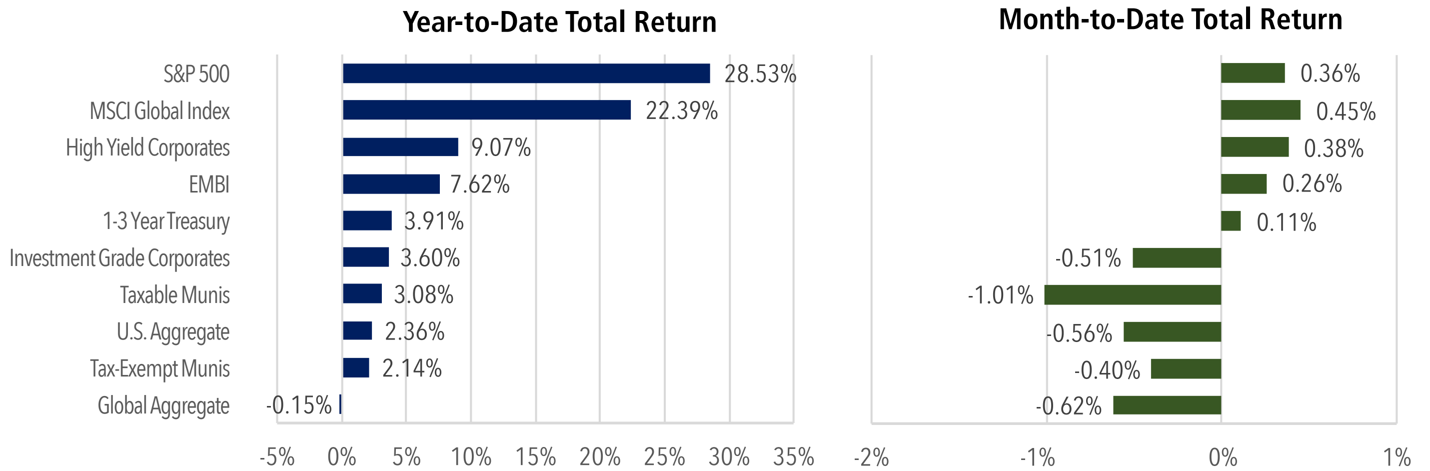
Week Ending: **December 13, 2024**

Holiday Hopes

Economic Overview:

Holidays are the time to reflect on the year that has been and gather with loved ones. What can macro bring to bear on such occasions? News headlines lamented the "sticky" November CPI reading this week. Indeed, if the November monthly reading of 0.3% were sustained, trailing twelve-month inflation would stick at 3.5%, well above the Fed's 2% target. However, unwrapping the report reveals an unexpected gift: the biggest contributor to inflation—owners' equivalent rent (~75% of the shelter component)—recorded the softest one-month increase in over three years. Since shelter is the largest and stickiest component of CPI, if shelter continues to moderate in 2025, it's possible core CPI could reach the Fed's 2% target by the end of 2025. When we unwrap the CPI package, we see many reasons for optimism in 2025. Happy Holidays!

Total Returns by Asset Class



Source: Bloomberg

Highlights of the Week:

Municipals: Breaking its 23-week streak of net inflows, LSEG Lipper reported $316 million of outflows this week.

Equities: The U.S. equity market ended lower for the week, which snapped a streak of three consecutive weekly gains. Mixed corporate earnings results weighed on market sentiment. Nearly all sectors posted losses, with materials, utilities, and healthcare leading markets lower, while communications and consumer discretionary were the only positive-performing sectors.

Securitized Products: In November, the European CLO secondary market demonstrated strong activity. Despite some softness at the AAA level, heightened demand for junior mezzanine and equity tranches drove levels to test yearly tights. Limited supply and resilient demand for non-investment-grade profiles, combined with robust client interest, underscored a technically strong environment across the capital stack.

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