Stocks Enjoy Holiday Cheer

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm's investment outlook and asset allocation that helps define LPL Research's investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

- Strong Underweight
- Underweight
- Neutral
- Overweight
- Strong Overweight

Key changes from November report:

- No changes from the November report.

STAAC Asset Class Tactical Views as of 12/01/2024 (GWI)

Asset Class					
Equity			●		
U.S.				●	
International Developed (EAFE)			●		
Emerging Markets		●			
Large Growth				●	
Large Value			●		
Small/Mid Growth			●		
Small/Mid Value			●		
Fixed Income			●		
Treasuries			●		
MBS				●	
IG Corporates	●				
TIPS			●		
International Developed			●		
Preferred				●	
High-Yield			●		
Bank Loans			●		
Emerging Markets			●		
Cash		●			
Alternatives				●	

STAAC Sector Tactical Views as of 12/01/2024 (GWI)

Sector					
Healthcare			●		
Energy		●			
Utilities			●		
Consumer Staples			●		
Information Technology			●		
Communications Services				●	
Industrials				●	
Financials			●		
Materials			●		
Real Estate		●			
Consumer Discretionary			●		

Source: STAAC as of December 1, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

Investment Takeaways

Stocks rebounded in November, marking the S&P 500's best month of 2024. Equities were lifted by a quick election outcome and prospects for deregulation and lower taxes from the incoming administration, as well as the removal of election overhang on sentiment. Earnings reports were highlighted by strong results from the artificial intelligence (AI) bellwether, NVIDIA (NVDA), while positive results and guidance from Walmart (WMT) boosted the consumer resilience theme amid mixed retail results. Stocks continued to set record highs entering the seasonally favorable month of December, with markets noting a promising start to the holiday shopping season.

Within fixed income markets, Treasury yields were lower across the curve in November due to strong demand for higher yields after the October selloff. Moreover, markets had been pricing in the prospects of higher budget deficits into perpetuity, but with the recent nomination of Scott Bessent for Treasury Secretary the market seems to believe he will be a moderating voice within the Trump administration. The 0.20% decrease in the 10-year Treasury yield caused positive returns for most fixed income sectors with the broad index (Bloomberg Aggregate Bond Index) higher by 1.06% in November. High quality fixed income sectors, agency mortgage-backed securities (MBS), and investment grade corporates specifically, outperformed during the month.

LPL's STAAC maintains its tactical neutral stance on equities, supported by post-election clarity, seasonal tailwinds, a steadily growing economy, and corporate profits, while watching for signs of a potential stock market correction. Increased exposure to alternative investments offers diversification benefits, while a slightly reduced fixed income position reflects the Committee's expectation for range-bound interest rates.

- The Committee remains comfortable with a balanced approach to market cap. High-quality small cap stocks are attractively valued and may benefit from tax cuts and their more domestic focus, but large cap companies enjoy superior earnings power and may outperform if the economy cools in 2025, as LPL Research expects.
- The continuation of AI-fueled earnings in the third quarter helps justify rich valuations on the growth side, and our technical analysis work shows little evidence of overbought readings amid the latest breakout at the end of November. On the flip side, value stocks remain more attractively valued than normal and financials may benefit from Trump 2.0, so staying close to neutral seems prudent.
- The STAAC's regional preference remains U.S. over developed international and emerging markets (EM) due largely to superior earnings and economic growth in the U.S., heighted international political risk, and continued volatility in international currencies. While potential Chinese stimulus-fueled strength in EM is notable, tariff actions, trade sanctions, and potential U.S. dollar strength increase risk in EM equities.
- The STAAC continues to hold an overweight tilt in preferred securities as valuations remain attractive. However, the risk/reward for core bond sectors (U.S. Treasury, agency MBS, investment-grade corporates) is more attractive than plus sectors. In our view, adding duration isn't attractive at current levels, and the STAAC remains neutral relative to our benchmarks.

2024 MARKET FORECASTS

Elevated Volatility May Continue in the Near-Term

	Previous	Current
10-Year U.S. Treasury Yield	3.75% to 4.25%	3.75% to 4.25%*
S&P 500 Index Earnings per Share	$240	$240
S&P 500 Index Fair Value	5,400 – 5,500	5,400 – 5,500**

Source: LPL Research, FactSet, Bloomberg
All indexes are unmanaged and cannot be invested into directly.

*Our year-end 2024 forecast for the U.S. 10-year Treasury yield is 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target.

**Our year-end 2024 fair-value target range for the S&P 500 of 5,400-5,500 is based on a price-to-earnings ratio (PE) of 21 and our S&P 500 earnings per share (EPS) forecast of $260 in 2025.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 12/01/24.

2024 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2024 (Y/Y, real GDP)
United States	1.9%
Eurozone	0.9%
Advanced Economics	1.6%
Emerging Markets	4.2%
Global	3.1%

Source: LPL Research, Bloomberg.
The economic forecasts may not develop as predicted.

Tactical Asset Allocation as of 12/01/2024

Investment Objective

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Stocks	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. Equity	80.0%	76.0%	4.0%	67.0%	64.0%	3.0%	50.0%	48.0%	2.0%	33.5%	32.0%	1.5%	16.0%	16.0%	0.0%
Large Growth	27.0%	24.0%	3.0%	22.5%	20.5%	2.0%	16.5%	15.0%	1.5%	11.5%	10.0%	1.5%	5.0%	5.0%	0.0%
Large Value	25.0%	24.0%	1.0%	21.0%	20.0%	1.0%	15.5%	15.0%	0.5%	10.0%	10.0%	0.0%	5.0%	5.0%	0.0%
Small/Mid Growth	14.0%	14.0%	0.0%	11.5%	11.5%	0.0%	9.0%	9.0%	0.0%	6.0%	6.0%	0.0%	3.0%	3.0%	0.0%
Small/Mid Value	14.0%	14.0%	0.0%	12.0%	12.0%	0.0%	9.0%	9.0%	0.0%	6.0%	6.0%	0.0%	3.0%	3.0%	0.0%
International Equity	15.0%	19.0%	-4.0%	13.0%	16.0%	-3.0%	10.0%	12.0%	-2.0%	6.5%	8.0%	-1.5%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	3.0%	7.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.5%	3.0%	-1.5%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. Core	0.0%	0.0%	0.0%	14.5%	15.0%	-0.5%	33.5%	35.0%	-1.5%	53.0%	53.0%	0.0%	72.0%	70.0%	2.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	26.5%	24.5%	2.0%	36.0%	32.0%	4.0%
MBS	0.0%	0.0%	0.0%	5.0%	4.5%	0.5%	11.0%	10.0%	1.0%	16.0%	15.0%	1.0%	22.0%	20.5%	1.5%
IG Corporates	0.0%	0.0%	0.0%	2.5%	3.5%	-1.0%	6.5%	9.0%	-2.5%	10.5%	13.5%	-3.0%	14.0%	17.5%	-3.5%
Non-Core	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Preferred	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Alternatives	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Cash	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth, core, and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

Abbreviations: TAA - tactical asset allocation; MBS - mortgage-backed securities; IG corporates - investment-grade corporates; TIPS - Treasury inflation-protected securities.

Equity Asset Classes

Post-Election Clarity and Seasonal Strength Keep Stock Market Momentum Going

LPL's STAAC maintains its tactical neutral stance on equities, supported by post-election clarity, seasonal tailwinds, a steadily growing economy, and rising corporate profits. The Committee remains comfortable with a balanced approach to market cap. Small caps may benefit from tax cuts, are more domestic focused, and are attractive valuations, but carry more interest rate risk. And large cap tech's earnings power remains very impressive.

The AI-fueled earnings helps justify rich valuations for large cap growth stocks, but the earnings gap between growth and value is poised to narrow next year and the financials-heavy value style is getting a boost from prospects for deregulation from the incoming administration. The STAAC's regional preference remains U.S. over developed international due largely to superior domestic earnings and economic growth, reinforced by Trump 2.0. A Trump-related boost to the U.S. dollar increases the attractiveness of U.S. equities relative to developed international. Heightened trade and tariff risk remain concerns for emerging market equities.

Color Key:

Strong Underweight · Underweight · Neutral · Overweight · Strong Overweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large Growth**	Overweight	Positive	Large caps are richly valued and face greater tariff risk but enjoy superior earnings power and balance sheet quality. Small caps benefit from lower taxes, a domestic focus, and are more reasonably valued, but also bring more interest rate risk. The STAAC's slight preference for growth over value is earnings driven. Watching technicals for signs of potential reversal.
	Large Value	Neutral	No Trend	A resilient economy, pro-growth policies, and light-touch regulation from the incoming administration are positives for cyclical value stocks, but the resilient economy and interest rate volatility have weighed on defensive sector performance. Still, attractive valuations support near-benchmark allocations. Technicals are good enough for a neutral view.
	Small/Mid Growth	Neutral	No Trend	Low valuations, potentially lower taxes, a more domestic focus, and healthy credit markets are supportive of small caps, but rising interest rates and the possibility of a slowing economy in 2025 are potential headwinds. Enthusiasm surrounding benefits of Fed rate cuts for small caps may be overdone.
	Small/Mid Value	Neutral	No Trend	Small/midcap value stocks benefit from a resilient U.S. economy, while valuations are attractive versus history. However, an economic slowdown may limit potential performance upside, and our technical analysis work reveals a mixed picture. Deregulation prospects favorable for financials-heavy regional banks.
Region	**United States**	Overweight	Positive	The U.S. economy is expected to handily outgrow and outearn Europe in 2024, a position likely strengthened by president-elect Trump's trade policy and potential strength in the U.S. dollar. AI innovation also points to a U.S. preference despite elevated valuations. Technical analysis points firmly toward the U.S.
	Developed International	Neutral	Negative	European economies have seemingly stabilized, valuations are attractive, and corporate reforms in Japan are an intriguing long-term story. However, tariffs, potential U.S. dollar strength, and European political uncertainty may weigh on international equity performance. Technical trends are negative.
	Emerging Markets	Underweight	No Trend	The STAAC remains cautious on emerging markets (EM) equities on lackluster growth in China, tariffs, and elevated geopolitical risk. Attractive valuations, prospects for more China stimulus, and forthcoming Fed rate cuts are offsets, while technical conditions are more supportive for EM than developed international.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

Equity Sectors

Cyclical Value Sectors Gets a Trump Bump

The STAAC maintains positive views of the communication services and industrials sectors, and negative views of energy and real estate, maintain balanced exposure across cyclical, defensive, and secular growth sectors with a slight tilt toward cyclical and growth. Industrials should benefit from the president-elect's America-first policy to drive more domestic production. The AI buildout and pent-up demand for capital investment post-election should also help. Strong earnings growth and attractive valuations drive our communication services recommendation despite regulatory risk facing Alphabet (GOOG/L) and Meta (META) and increasing scrutiny on AI investments. Oil price trends and potential pressure on energy prices from increased production justify our cautious energy sector view. Our quantitative and technical analysis work has consumer discretionary sector on watch for a potential upgrade.

Color Key:

Strong Underweight · Underweight · Neutral · Overweight · Strong Overweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Basic Materials**		Negative	2.1	November laggard (+1.45%) on commodity price weakness, a strong dollar, and ongoing skepticism about the potential impact of China stimulus. Tariffs may mute potential benefit from less restrictive Federal Reserve (Fed) policy given China's influence.
	Consumer Cyclical		Positive	10.9	Top sector performer in November (+13.2%) on strength in Tesla (TSLA) and Amazon (AMZN), lower energy prices, and a healthy consumer spending environment. Pressure from inflation has eased as income grows. Strong technicals. Positive bias.
	Financial Services		Positive	13.5	Second best November performer (+10.2%) on prospects for bank and capital markets deregulation by the Trump administration. A steeper yield curve, favorable credit conditions, and technical analysis trends are supportive. Positive bias.
	Real Estate		No Trend	2.2	Modest underperformer in November (+4.0%) amid rate volatility. Likely funding source for so-called Trump trades. While economic conditions are supportive and yields have stabilized, interest rate risk remains elevated and technicals are sub-par.
Sensitive	**Communication Services**		Positive	9.1	Modest underperformer in November (+3.1%). Weakness in Alphabet (GOOG/L) and Meta (META) weighed on sector performance, with the GOOG/L selloff partly related to risk of a breakup. Sector still enjoys a strong earnings outlook, attractive valuations, and positive technical analysis trends.
	Energy		Negative	3.3	Outperformer in November (+6.3%) despite lower oil prices as natural gas prices surged and markets priced in a more industry-friendly regulatory climate. Valuations are attractive and geopolitical risk is high, but technical trends are sub-par.
	Industrials		Positive	8.5	Outperformer in November (+7.3%) on solid U.S. growth and prospects for pro-growth polices by the Trump administration. Mixed election implications for infrastructure and defense. AI data center buildouts, near-shoring, and energy infrastructure investment also help. Reasonable valuations. Positive technical analysis trends.
	Technology		No Trend	32.1	Modest underperformer in November (+4.6%) as weakness in semiconductors offset strength in software. AI-driven earnings outlook supports rich valuations, at least for now. Our technical analysis work reveals no trend.
Defensive	**Consumer Defensive**		Negative	5.6	Modest underperformer in November (+4.6%) as defensive, rate-sensitive sectors remained generally out of favor. Pressure on lower-income consumers has become more evident, an issue for staples . Fair valuations. Negative technicals.
	Healthcare		Negative	10.5	Worst sector performer in November (+0.1%) on election-related policy risk and the RFK Jr. appointment as U.S. health secretary despite a solid Q3 earning season. Policy risk post-election may be manageable for some segments and valuations are reasonable, but technicals have deteriorated and are concerning. Negative bias.
	Utilities		No Trend	2.4	Modest underperformer in November (0.1%) despite 27.9% gain in Vistra (VST) amid AI power demand enthusiasm. Interest rate volatility played a role, as did the market's preference for cyclical sectors. Reasonable valuations and mixed technicals.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services.

Fixed Income

A Moderating Voice at the Treasury Department?

Fixed income markets, as proxied by the Bloomberg Aggregate Bond Index, were higher in November with a 1.06% gain for the month. Treasury yields were lower in November due to 1) strong demand for higher yields after last month's selloff, 2) election uncertainty abating, and 3) the hope that new Treasury Secretary nominee, Scott Bessent, will be a moderating voice within the new Trump administration, particularly as it relates to deficit spending. Our base case remains no recession this year and our yearend target for the 10-year Treasury yield is 3.75% to 4.25%, although until/unless economic data softens, the 10-year could trade above those levels.

Aside from preferred securities, valuations for riskier fixed income sectors remain rich relative to core sectors, in our view. And while price appreciation may be limited, until inflationary pressures abate, income levels remain attractive.

Color Key:

● Strong Underweight ● Underweight ● Neutral ● Overweight ● Strong Overweight

		Low	Med	High	Rationale
Current Stance	**Credit Quality Preference**			✓	Recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain above longer-term averages, we think the risk/reward favors owning core bond sectors over the riskier sectors.
		Short	**Inter.**	**Long**	**Rationale**
Current Stance	**Duration Preference**		✓		Despite yields rising meaningfully from recent lows, the compensation for extending duration in portfolios isn't sufficient yet given the still strong economy. We remain neutral relative to our benchmark.
		Neg.	**Neut.**	**Pos.**	**Rationale**
Current Stance	**Municipal Bond View**		✓		December represents a historically strong seasonal period for munis due to lower supply challenges and strong demand for tax-exempt income. Potentially higher tax rates increase the attractiveness of munis. Intermediate term allocations worth a look.

		Overall View	Overall Trend	Rationale
Core Sectors	**U.S. Treasuries**	· · ● · ·	No Trend	Treasury yields were lower in November despite a still strong economy. Given current economic strength and risks of inflation reaccelerating due to fiscal support, Treasury yields may remain around current levels. From a fundamental perspective, we think Treasury yields are likely range bound at these higher levels. Technically, 10-year yields remain below a downtrend off the 2023 highs after violating support near 4.30%. A close below the 200-day moving average (dma) could underpin added downside pressure, especially amid elevated speculator short positions.
Core Sectors	**MBS**	· · · ● ·	Positive	We remain constructive on agency MBS. Yields and spreads remain near multi-year highs, so we think MBS remain an attractive investment opportunity, particularly relative to lower-rated corporates. As interest rate volatility continues to fall, MBS should outperform most other high-quality bond sectors.
Core Sectors	**Investment-Grade Corporates**	● · · · ·	Positive	We recommend a strong underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.
Core Sectors	**TIPS**	· · ● · ·	Positive	The most recent selloff has pushed all-in yields for Treasury Inflation-Protected Securities (TIPS) to very attractive levels, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors	**Preferred Securities**	· · · ● ·	Positive	Preferred securities have outperformed most other bond sectors over the past 12 months, but valuations remain relatively attractive. Higher credit quality among the riskier fixed income options. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but environment favors active management. Technically, most preferred indexes/funds are consolidating above their 200-dmas after reaching overbought levels this fall.
Plus Sectors	**High-Yield Corporates**	· · ● · ·	Positive	Yields for high-yield bonds are only around historical averages, and spreads remain near all-time lows. The environment broadly remains supportive for credit risk. Economic growth is slowing but not collapsing, which is typically good for credit. But credit is not cheap.
Plus Sectors	**Bank Loans**	· · ● · ·	No Trend	Given the variable rate debt, Fed rate cuts will eventually push yields lower, although likely still higher than longer-term averages. Downgrades and defaults have increased and could increase still if the economy slows/contracts. We would favor high-yield bonds over loans for those investors interested in leveraged credit.
Plus Sectors	**Foreign Bonds**	· · ● · ·	Positive	Valuations have improved, but potential currency volatility remains a challenge.
Plus Sectors	**EM Debt**	· · ● · ·	Positive	Central banks have largely ended rate hikes as inflationary pressures are starting to abate. A strong dollar could provide a headwind to prices. Valuations are relatively attractive, but idiosyncratic risks remain. Liquidity can be an added risk during periods of stress.

Commodities and Currencies

Commodities Constrained by Resistance

A second-half rebound in commodities last month stalled at overhead resistance. Strength in the dollar and mostly underwhelming economic activity in China, including disappointing industrial production and declining import data, created headwinds for the commodities complex. A wait-and-see approach to stimulus from China's National People's Congress meeting also weighed on sentiment.

For the month, the Bloomberg Commodity Index (BCOM) finished near the flatline after failing once again at the 200-day moving average (dma). The muted performance masked a relatively volatile month, including a 4% post-U.S. Election drawdown and subsequent recovery into month end. Selling pressure was relatively widespread, with coffee and cocoa sticking out with sizable gains. Precious metals were lower across the board and gravity finally set in on the gold rally, sending the yellow metal back to support near the lower end of its rising price channel. Natural gas notably outperformed within the energy patch as cooler weather sparked increased heating demand.

The U.S. Dollar Index rose 1.7% and broke out from a bullish flag formation. Buying pressure picked up as the reflation trade resurfaced in the wake of Donald Trump's Election Day victory. A steady drip of better-than-expected economic data in the U.S. also lowered rate-cut expectations, while deteriorating economic activity in Europe propped up probabilities for a more dovish European Central Bank (ECB). The diverging economic and policy paths have put added pressure on the euro, the largest weight in the U.S. Dollar Index. Technically, a sustained move in the greenback above the 107 area would validate a breakout from a multi-year consolidation range and check the box for a new uptrend developing.

Color Key: ● Negative ● Neutral ● Positive

Sector	Overall View			Overall Trend	Rationale
Energy	·	●	·	Negative	Crude oil remains rangebound and down as the geopolitical risk premium from escalating tensions between Russia/Ukraine and in the Middle East has largely been offset by supply-side concerns and limited economic efficacy from recent stimulus measures in China. The prospect for OPEC+ to delay a planned output hike and recent sanctions on Iranian oil exports has helped limit downside risk. Technically, West Texas Intermediate (WTI) is holding above support from its prior lows near $65.50. However, relief rallies remain capped by a downtrend resistance line stemming off the 2023 highs. Natural gas jumped 24% last month as below-average temps across most of the U.S. prompted increased heating demand. The rally stalled at resistance near $3.63 (2023 highs) as inventories are still starting the winter at their highest level in eight years. **We maintain our neutral view on the energy commodity sector.**
Precious Metals	·	·	●	Positive	Strength in the dollar and rising yields sparked selling pressure across precious metals last month. Gold dropped 3.7% but remained in its rising price channel. Profit-taking was also in play as physical gold ETFs reported outflow pressure during the month, and speculator long futures positions were pared back from elevated levels. We view pullbacks within the price channel as buying opportunities. Silver has recently pulled back through support at the 50-dma, creating a potential head and shoulders top formation; however, the neckline near $30 has not been violated. **We maintain our positive view on the precious metals group.**
Industrial Metals	·	·	●	Neutral	Renewed hope for global growth — especially in China — helped spark a recovery in industrial metals earlier this fall. However, momentum has faded a bit as investors wait for more clarity on Chinese stimulus and tariffs. Copper has pulled back considerably, but buyers successfully defended the $400 support area last month. **We maintain our positive view on the industrial metals group.**
Agriculture (Ag) & Livestock	●	·	·	Neutral	Ag and livestock markets were mixed last month. Softs outperformed on the back of significant rallies in cocoa (+36%) and coffee (24%) — both higher on global supply concerns. Corn outperformed within grains and also recaptured its 200-dma. Live cattle and lean hogs both traded down by over 2%, with cattle leading the way (+5%). **Given the limited technical progress, we maintain our negative view on the group.**
U.S. Dollar	·	●	·	Neutral	Trump's election victory sparked a rally in the greenback as growth and inflation expectations rerated higher. Technically, the dollar broke out from a bullish flag pattern on the news and is now retesting the upper end of its longer-term range near 107. A topside breakout here would be technically significant and imply a new uptrend is underway.

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and potential for losses.

Alternative Investments

Beta Exposure Drives Monthly Returns

Alternative investment strategies were broadly positive in November, with the industry benefitting from the rally in equity and bond markets. The S&P 500 posted its best month of the year with an increase of 5.9%, while the Bloomberg Aggregate Bond Index gained 1.1%. As expected during such an environment, strategies with higher levels of market exposure led returns, with the HFRX Equity Hedge Index delivering a gain of 1.3%. Trend-followers also participated in the move higher given their increasing levels of long equity exposure, as the HFRX Systematic Diversified CTA Index gained 1.6%. With Donald Trump's recent presidential election victory, the landscape for alternative investments may be poised for meaningful changes. While future shifts in policy are far from certain and will likely remain ambiguous well into 2025, we have been actively considering their potential effects and specifically, which alternative investments may be impacted.

Tax Policies and Corporate Earnings. One of the immediate effects of a Trump presidency is the potential extension of the Tax Cuts and Jobs Act, which is set to expire at the end of 2025. This could lead to lower corporate tax rates over the long-term, which may enhance corporate profitability and possibly support stock prices. For alternative investments, particularly private equity and venture capital, this environment could also encourage more corporate transactions and improve the initial public offering ("IPO") landscape as firms seek to capitalize on favorable market conditions. Today, the IPO market remains frozen, as growth in private capital fundraising has allowed firms to stay private for longer.

Trade Policy and Inflation. Trump's approach to trade, including potential tariffs on imports, could lead to inflationary pressures if retail prices meaningfully reflect the rise in wholesale prices. This environment may make commodities, managed futures, and real assets more attractive if prices rise. In his prior term, Trump's use of tariffs was specific to select markets (steel and aluminum), which may make a more active fund implementation approach appropriate to take advantage of certain areas of the market.

Deregulation. The Trump administration is expected to prioritize deregulation across various sectors, including energy, finance, and technology. This could create new opportunities for alternative investments, especially in industries that have been heavily regulated. For instance, deregulation in the energy sector may lead to increased investments in fossil fuels, while financial deregulation may lead to an increase in bank lending and/or a surge in investment banking-related fees, assuming a pickup in corporate deal activity.

Market Volatility and Stock Dispersion. The uncertainty surrounding Trump's policies may lead to increased market volatility and stock dispersion. As market participants digest changes and subsequently begin to distinguish between firms positively and negatively impacted, strong fundamental long/short and equity market-neutral strategies, stock pickers may become increasingly attractive.

Color Key: Negative · Neutral · Positive

	Sector	Overall View	Rationale
Fundamental	Long/Short Equity	Neutral	The current equity market environment lends to a more attractive stock picking environment for low net equity long/short managers. With rich valuations these managers should be able to build solid short books that can increase their total alpha generation.
Fundamental	Event Driven	Neutral	Merger Arbitrage strategies remain attractive fixed income diversifiers and may see a more favorable backdrop in the event of deregulation and an extension of the Tax Cuts and Jobs Act.
Tactical	Global Macro	Positive	Favor multi-strategy global macro strategies with truly diversified asset class and regional exposure as the market moves on from directional structural themes to more balanced tactical themes across both developed and emerging markets. We continue to believe the strategy serves as a solid portfolio diversifier that deserves a steady allocation.
Tactical	Managed Futures	Positive	Managed Futures strategies have recently increased their long equity exposure and remain short across their bond positioning. We encourage investors to consider a combination of trend followers with alternative market coverage and balanced exposure and short-term multi-strategy managers.
Multi-Strategy	Multi-PM Single Funds	Positive	Multi-Strategy funds continue to benefit from the ability to dynamically invest across the alternative investment strategy landscape, while providing a diversifying risk/return profile. These funds should be able to tactically take advantage of any short-term market disruptions.
	Specialty Strategies	Neutral	Among private market strategies, private credit and infrastructure strategies, which we were constructive on, continued to perform well and are expected to show their resilience as we navigate through the fog.

Please see https://www.hfr.com/indices for further information on the indices.
Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issues by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Alternative investments are include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD $500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

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Important Disclosures

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

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