

Stocks Surge to All-time Highs After Election Results

Stocks soared on this busy week that featured the release of a big batch of quarterly results, another rate cut from the FOMC, and the outcome of congressional and presidential elections.



The day after the election, the Dow Jones Industrial Average gained more than 1,500 points, the Russell 2000 soared 5.8%, the Nasdaq Composite surged 3.0%, and the S&P 500, with a 2.5% gain, logged its best post-election performance ever!

There was the relief factor, with participants enthused that this won't be a contested election, and there was the growth factor, with participants thinking president-elect Trump's aim to lower tax rates and decrease regulations will foster economic growth that remains above potential.

That view of policy matters manifested itself in a variety of ways:

- • Small-cap stocks soared
- • Financial stocks soared

- The U.S. dollar surged against other major currencies
- Bitcoin prices moved noticeably higher
- Cyclical sectors outperformed

There were a lot of "big winners" this week. Tesla (TSLA) was among them, capitalizing handsomely on the idea that Elon Musk's strong support of Donald Trump will be an added boon for the company. Shares settled 29.0% higher than last Friday.

Thursday's FOMC policy announcement didn't deter the market rally. The unanimous FOMC vote to cut the target range for the fed funds rate by 25 basis points to 4.50-4.75% was largely expected.

The response in equities wasn't related so much to anything the Fed Chair said about policy, but rather more about what he didn't say - or imply. Specifically, he didn't implicitly remove the possibility of another rate cut at the December FOMC meeting. Mr. Powell reiterated, as we thought he might, that policy is not on a preset course and that decisions will be made on a meeting-by-meeting basis.

The Fed chair seemed to be marveling at the strength of the economy and the Fed's policy settings, both of which he thinks are in a very good place. He deferred answering questions about how president-elect Trump's policy proposals might affect the Fed's decision-making, noting simply the Fed can't really model for them because it doesn't know any of the specifics yet.

As an aside, he sounded terse indicating he wouldn't resign his position if president-elect Trump asked him to, and said simply that the president firing or demoting him is not permitted under the law.

In other news, NVIDIA (NVDA) and Sherwin-Williams (SHW) replaced Intel (INTC) and Dow Inc. (DOW) in the Dow Jones Industrial Average starting on Friday, November 8.

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- Nasdaq Composite: +5.7% for the week / +28.5% YTD
- S&P 500: +4.7% for the week / +25.7% YTD
- S&P Midcap 400: +6.3% for the week / +18.5% YTD
- Russell 2000: +8.6% for the week / +18.4% YTD
- Dow Jones Industrial Average: +4.6% for the week / +16.7% YTD

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