Mischler Capital Markets

December 2, 2024

MISCHLER FINANCIAL GROUP
INVESTMENT BANKING | INSTITUTIONAL BROKERAGE SINCE 1994

November: More New Highs; No Surprise…

Throughout each of the past 11 months, Team Mischler's Equity Markets professionals have shared a month-end "looking back to look forward" view for Fortune CFO clients and their respective Treasury and IR executives; all with the intent to frame the past month's equities market gyrations, and to offer a view of what you might expect for share prices across various industry sectors in the upcoming month.

For those who have kept track of our missives, you might appreciate that we haven't missed the mark by more than a few clicks each month, thanks to our embracing a combination of old-fashioned technical and fundamental analysis, along with efforts to interpret an assortment of global macro components. To that point, we also follow the sentiment conveyed by CFOs during earnings calls, and we try to minimize the importance of any particular economic data reports (many of which of backward looking).

To the above, since the start of 2024, we've remained otherwise sanguine i.e. the prospects for equity prices to rally throughout the year, and as illustrated on our data page, those who have kept calm, carried on, and used interim stock price sell-offs to ratchet up share repurchases have been amply rewarded.

At the outset of November, we suggested that during the days going into the US elections, markets would be volatile, yet once the final votes were counted, stock markets would celebrate the element that investors like most: certainty. Though we may have 20/20 hindsight, November proved to be the best month of the year for US Equities, with nearly every major equity index rising by an average of 5%. Adding to the euphoria, weekly equity fund flows for the week ending November 13th set a record of $49.3 billion, according to ICI.

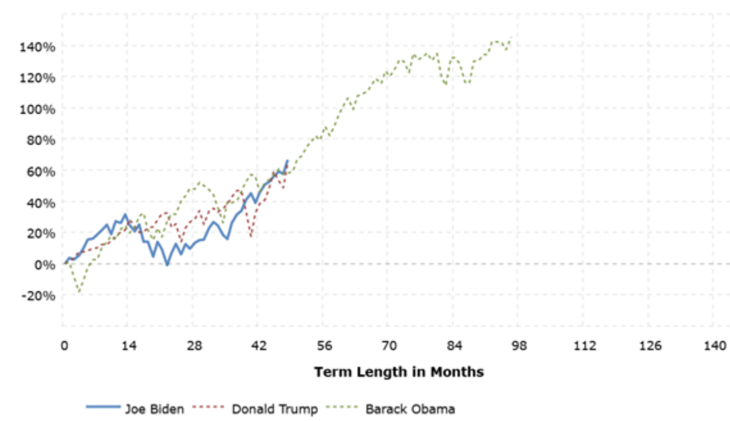
When Consumers Are Confident; Small Business Owners Are Confident

Last week, The Conference Board reported that November Consumer Confidence Index rose 2.1%, the upper end of the past two year's range. This metric leads optimists to conclude that personal spending will remain strong, and in turn, bodes well for real GDP growth in the months ahead.

According to the WSJ/Vistage Small Business CEO Index, leaders of small business canvassed last week expressed increased optimism, as that index jumped to a reading of 109.5, the highest level since August 2021. On a YoY basis, this index rose 36%; the biggest gain since the survey began in 2012.

Bankers Banking on a Resurgence of IPO and Spin-Offs

Adding to the forward-looking enthusiasm, Wall Street investment bankers are finally beginning to convey a heightened sense of optimism that 2025 will be the year where the new issue market, which has been nearly ice-cold for the past three years, will finally thaw. Thanks to a new anti-regulation White House administration and the likelihood of lower interest rates, both of which auger well for private companies seeking to monetize their enterprise valuations by floating shares to investors with a renewed appetite for risk assets.



What Could Possibly Go Wrong? Ask your Fortune 500 CEO or CFO!

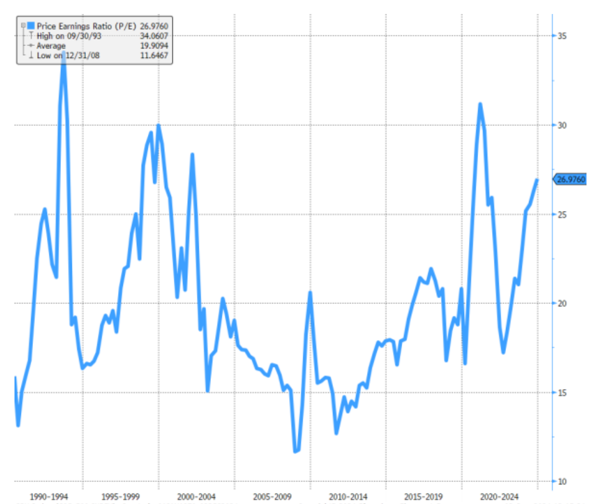
Despite the ‘relief’ that the US Presidential election went smoothly, depending on what industry you are in, there is no shortage of anxiety among Fortune 500 leaders as to what a second Trump administration may lead to. Just try saying “tariff” five times fast, and you’ll find yourself in the same state of frustration as many top corporate executives are experiencing now.

For some solace, turn to President-elect Trump’s designated Treasury Secretary (Scott Bessent) for a perspective. He has (i) a solid background for solid thinking (as best demonstrated by his tenure working for global investor George Soros), (ii) he is viewed by financial market veterans as “the voice of reason” (if not one of the few adults in the room). Most important, (iii) he has repeatedly indicated that “the threat of tariffs can be more effective than actual implementation of tariffs.”

This is not to suggest that a broad universe of CEOs are no longer concerned about geopolitical risks and how the world order within context of how the new administration intends to engage with Trump counterparts in Russia, China, North Korea or Iran, all of which could pose US economic and national security risks.

All of that said, the following illustration (which details the S&P 500 by POTUS) could offer comfort to those who believe that any single US President, including those who are notably unpredictable, could undermine the path of US equity prices.

Further to the concerns, the S&P 500 Forward PE Ratio suggests that stock prices are fully-priced. Per the illustration, this metric has only been higher three times in the past 30 years. For CFOs who are committed to advancing pre-existing 10b-18 authorizations, general wisdom from objective market observers would suggest that unless a company has good reason to anticipate that upcoming earnings will continue to accelerate, and will “grow into” the current PE (as companies such as NVDA have realized), the approach to share repurchase programs should be re-evaluated. Opportunistic versus Systematic could prove propitious, particularly after the most recent exuberance has encountered a dose of gravity.

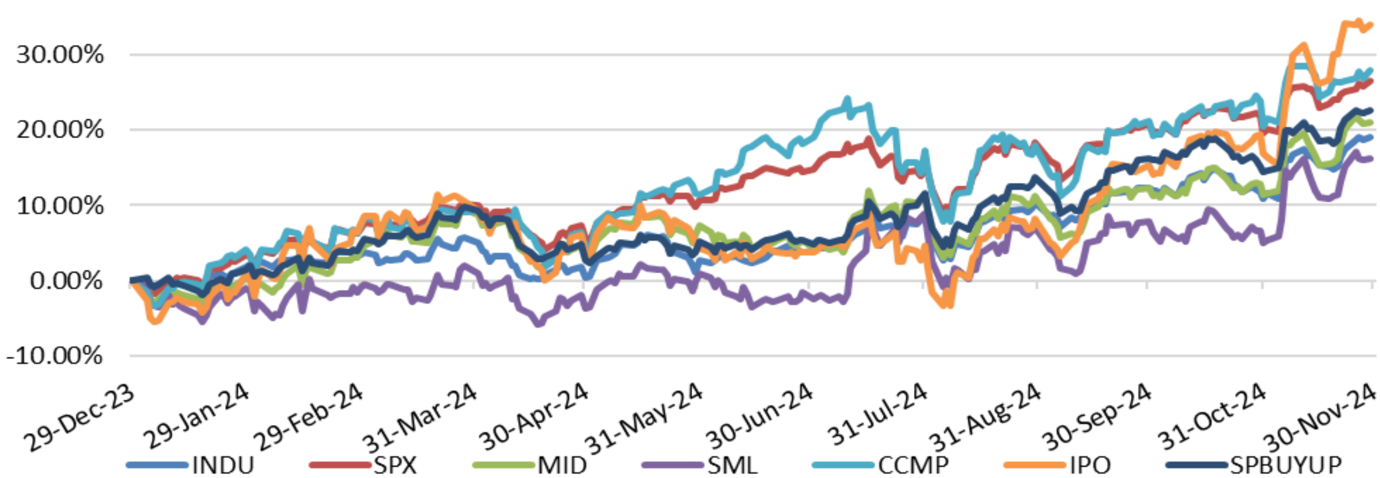


Share Repurchase Services
Capital Markets Desk
203.276.6646
www.mischlerfinancial.com

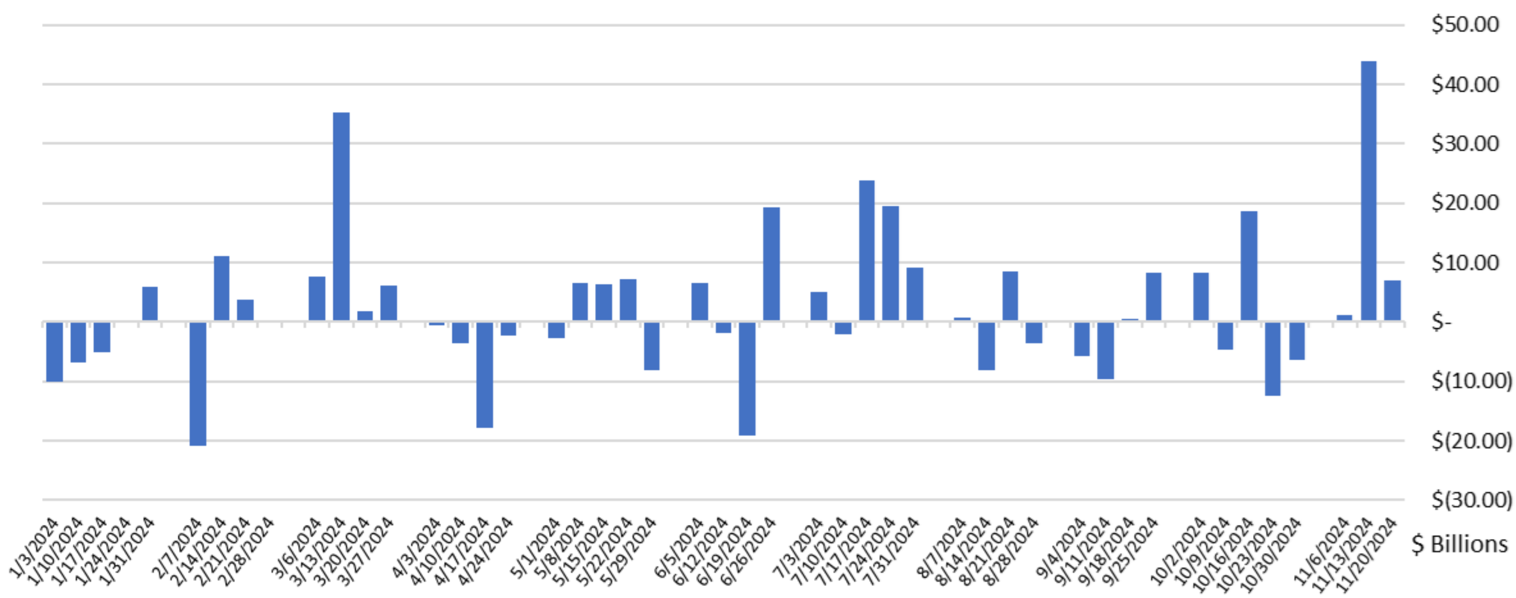
Mischler Capital Markets

Market Benchmark and Sentiment Data

Index Performance (2024)



Net ICI Domestic Equity Fund Flows (2024 YTD)



	Spot Price	YTD	MTD	% YTD High	% YTD Low
INDU	44,910.65	19.16%	7.54%	0.00%	20.51%
SPX	6,032.38	26.47%	5.73%	0.00%	28.66%
MID	3,366.18	21.02%	8.66%	-0.71%	25.05%
SML	1,532.61	16.26%	10.77%	-0.78%	23.44%
CCMP	19,218.17	28.02%	6.21%	-0.42%	32.45%
IPO	5,788.90	33.98%	14.54%	-0.44%	41.77%
SPBUYUP	32,973.59	22.68%	7.24%	0.00%	25.14%
VIX	13.51	8.51%	-41.67%	-64.97%	13.91%

*As of close of business 11/29/2024

VIX (2024)