

Confluence Style Analytics

November 2024

Factor Performance Analysis

Equities after Election

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Market Background

The US election results were the key influence on market performance in November. Donald Trump's presidential victory, combined with the Republican party securing a majority in both chambers of Congress, fuelled expectations that the upcoming administration's policies would bolster the U.S. economy and strengthen market performance.

Global stocks briefly reached new highs in dollar terms after the US election, driven primarily by the US market. In contrast, equities in continental Europe and Asia saw significant declines, weighed down by concerns over Trump's proposed tariff measures.

Crude oil prices climbed to \$69/barrel at the end of November and rose to \$71/barrel in the first week of December.

Gold prices dropped at the end of Nov to \$2,651/ troy ounce at month-end. The total funds raised in the crypto industry in October 2024 experienced a substantial 96% increase compared to the previous month. President-elect, Donald Trump has placed cryptocurrency at the forefront of his presidential campaign agenda, propelling Bitcoin prices to record highs.

Factor Summary

- ▶ **US Equities:** Volatility and Momentum outperformed.
- ▶ **European Equities:** Volatility and Momentum outperformed.
- ▶ **UK Equities:** Volatility and Momentum outperformed.
- ▶ **Emerging Markets Equities:** Value and Quality outperformed.
- ▶ **Canadian Equities:** Size and Momentum outperformed.

November 2024 Factor Performance

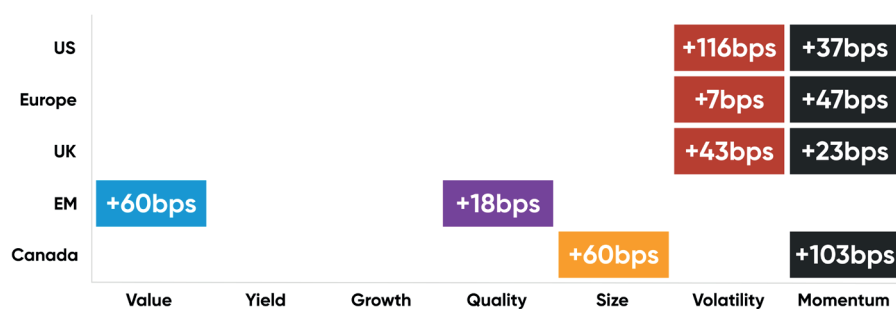


Figure 1: Nov 2024 US Factor Performance (sector adjusted)

US Equities

November was a strong month for the U.S. equity market, as stocks surged following Trump's victory in the presidential election. Investor optimism was fueled by expectations that his policy agenda would drive economic growth, lower taxes, and ease regulations. High-volatility securities led the rally, outperforming the broader market by 116 basis points, while smaller companies saw notable gains on the belief that domestically focused businesses would benefit most from Trump's proposed policies.

The unemployment rate rose to 4.2% in November after stabilizing at 4.1% for the previous two months. Core Consumer Prices in the United States rose to 322.66 points in November, up from 321.67 points in October 2024. While the US Manufacturing PMI rose higher to 48.4 from 46.8 in October, demand remains weak as companies prepare plans for 2025 with the benefit of the election cycle ending.

In November, all Volatility subfactors outperformed the market except for Dividend Yield 5Y, which underperformed by 60 basis points. Growth subfactors also delivered strong results, consistently outperforming the market. Short-term Momentum stood out, exceeding market performance by 160 basis points.

Stocks with stable short-term momentum that contributed to the US's performance in November include info tech company NVIDIA Corp (4.14% in Nov.) and consumer discretionary company Tesla (38.15% in Nov.) Additionally, companies with high Volatility 3Y, including communication services company Meta Platforms (+1.19% in Nov) and info tech company Palantir Tech (61.41% in Nov), also contributed to the outperformance.

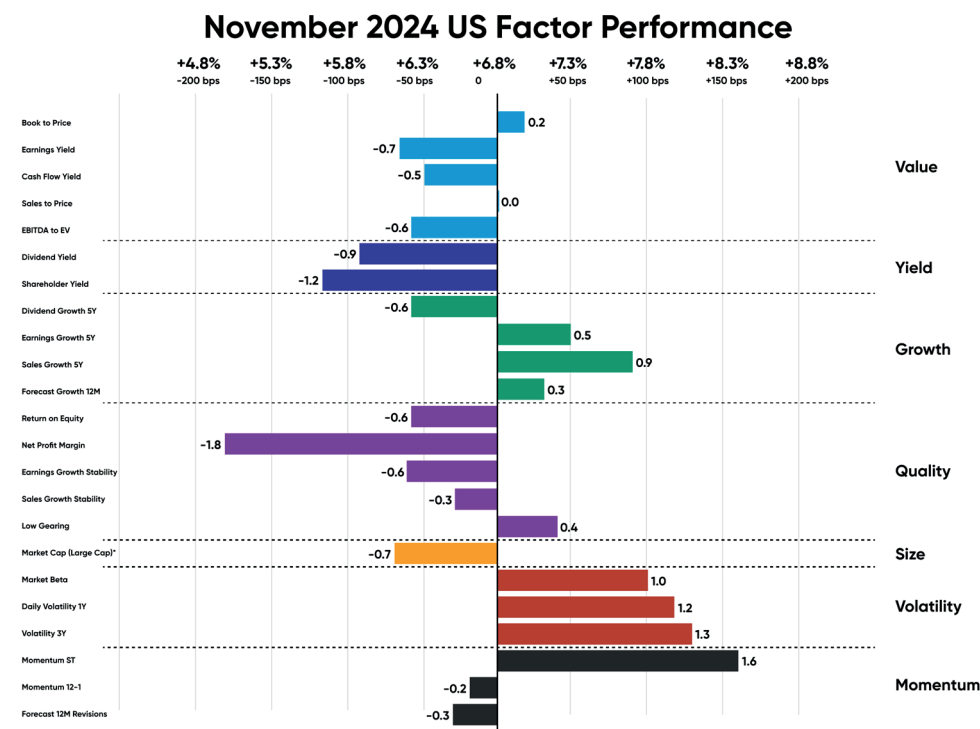


Figure 2: Nov 2024 US Factor Performance (sector adjusted)

Source: Confluence Style Analytics

European Equities

European equities posted a negative return of -1.3%, driven by underperformance in high-yield and value securities. Momentum outperformed the broader market, delivering an average gain of 47 basis points. As in the US, short-term momentum stood out, surpassing the market by 70 basis points.

The Euro Area's core inflation rate declined month-over-month to -0.60% in November from 0.20% in October 2024. Similarly, the unemployment rate in the European Union held steady at 6.3% in November. The Euro Area's manufacturing sector deteriorated further in November; the Eurozone Manufacturing PMI dropped to 45.2.

Key short-term momentum drivers in European stocks in November include German info tech company SAP Se (+2.0% in November) and industrials company Siemens Energy (+32.25% in November).

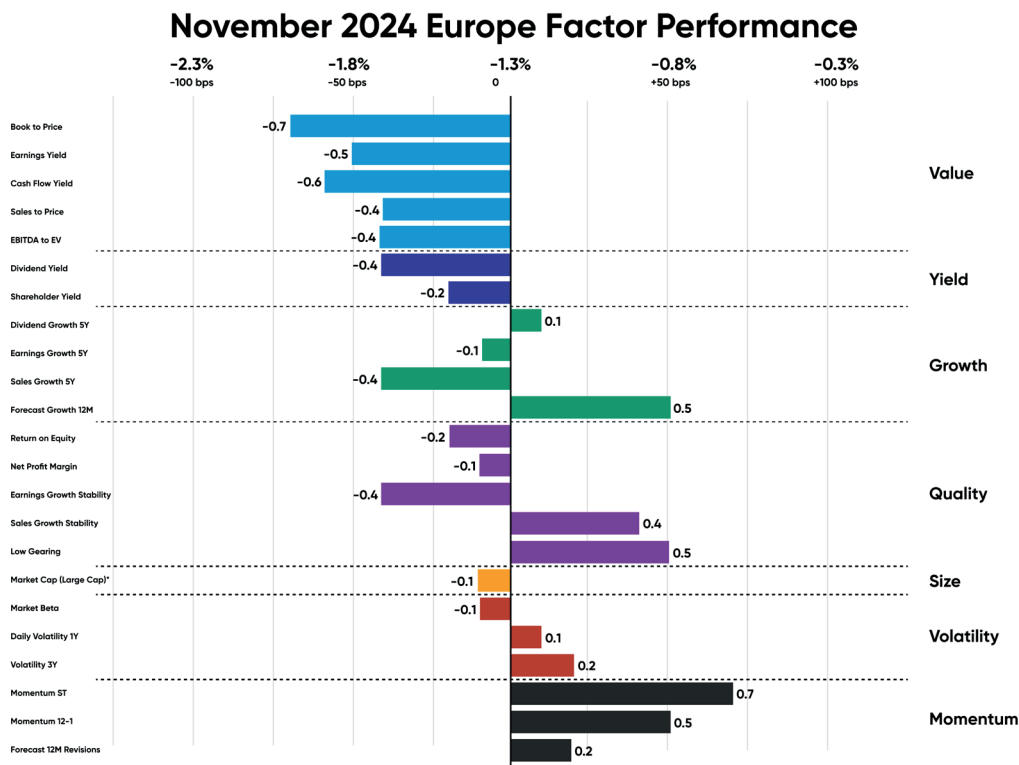


Figure 3: Nov 2024 Europe Factor Performance (country and sector adjusted)

Source: Confluence Style Analytics

UK Equities

In November, the UK equity market outperformed the market by 2.6%. The outperformance delivered by the UK this month was predominantly driven by Volatility and Momentum, which led the markets by an average of 43bps and 23bps, respectively.

The annual inflation rate in the UK rose to 2.3% in October 2024, the highest in six months, up from 1.7% in September. Manufacturing production in the UK declined by 1% month-over-month in September 2024, worse than the market expectation of a 0.1% decrease, following a revised 1.3% increase in the previous month. The unemployment rate in the United Kingdom increased to 4.3% from July to September 2024, up from 4%.

British stocks with a strong short-term momentum that outperformed this month include industrials company Rolls Royce Holdings plc (+3.2% in Nov); financials company London Stock Exchange (+6.0% in Nov).

Stocks with high Volatility 3Y outperforming the UK market include energy company BP PLC (2.6% in November) and consumer staples company British American Tobacco PLC (9.6% in November).

November 2024 UK Factor Performance

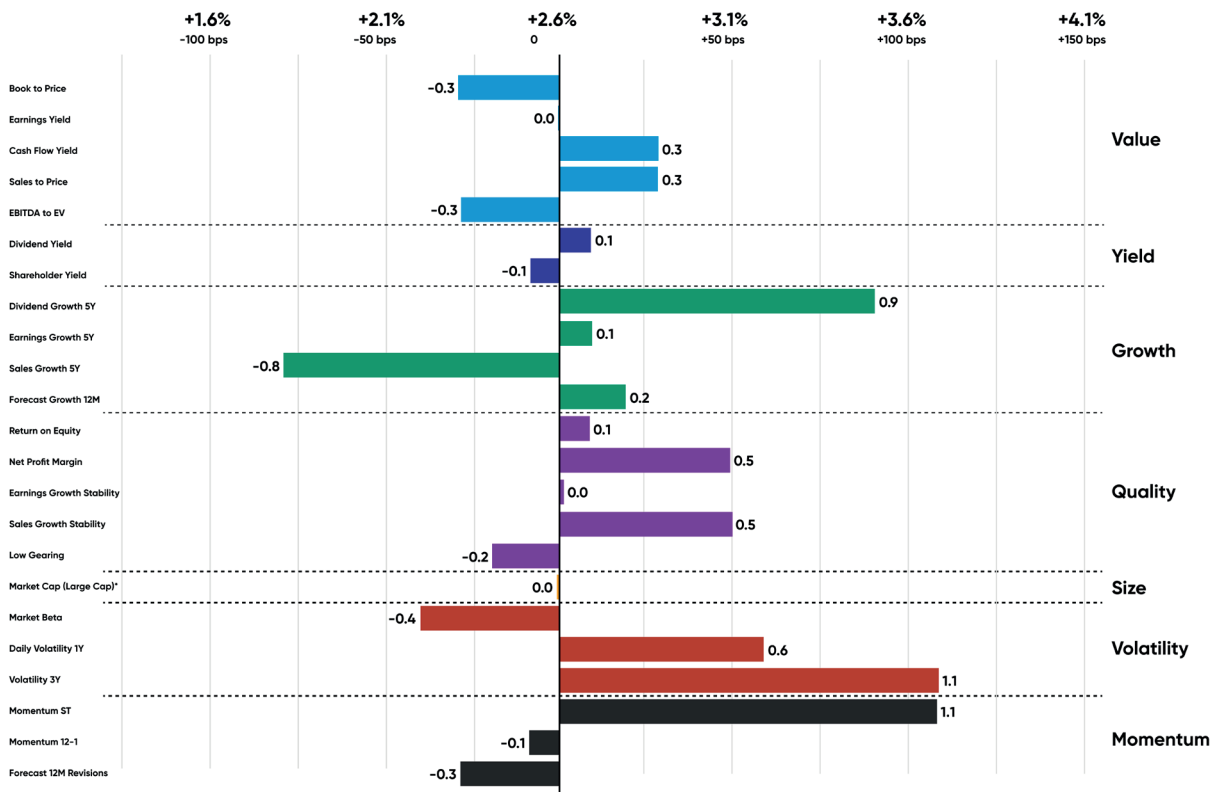


Figure 4: Nov 2024 UK Factor Performance (sector adjusted)

Source: Confluence Style Analytics

Emerging Markets Equities

The factor trend in Emerging Markets favoured Value and Quality, outperforming the market by 60bps and 18bps, respectively. The region's negative 3.0% performance was primarily driven by Volatility subfactors, with market beta.

India's annual inflation rate eased to 5.48% in November 2024, down from 6.21% in the previous month, roughly in line with market expectations of 5.5% Unemployment Rate in India decreased to 8 percent in November from 8.70 percent in October. Mexico's annual inflation rate decreased to 4.55% in November 2024, down from 4.76% in the previous month, and the unemployment rate fell to 2.5% in October 2024, down from 2.9% in the previous month.

Emerging Markets equities that outperformed in November, captured by the momentum 12-1 subfactor, include Chinese info tech company Xiaomi Corp (+1.4% in Nov) and Saudi energy company Saudi Arabian Oil (+3.4% in Nov). Companies with strong dividend yields include Indian financials company HDFC Bank (+3.0% in Nov).

November 2024 Emerging Markets Factor Performance

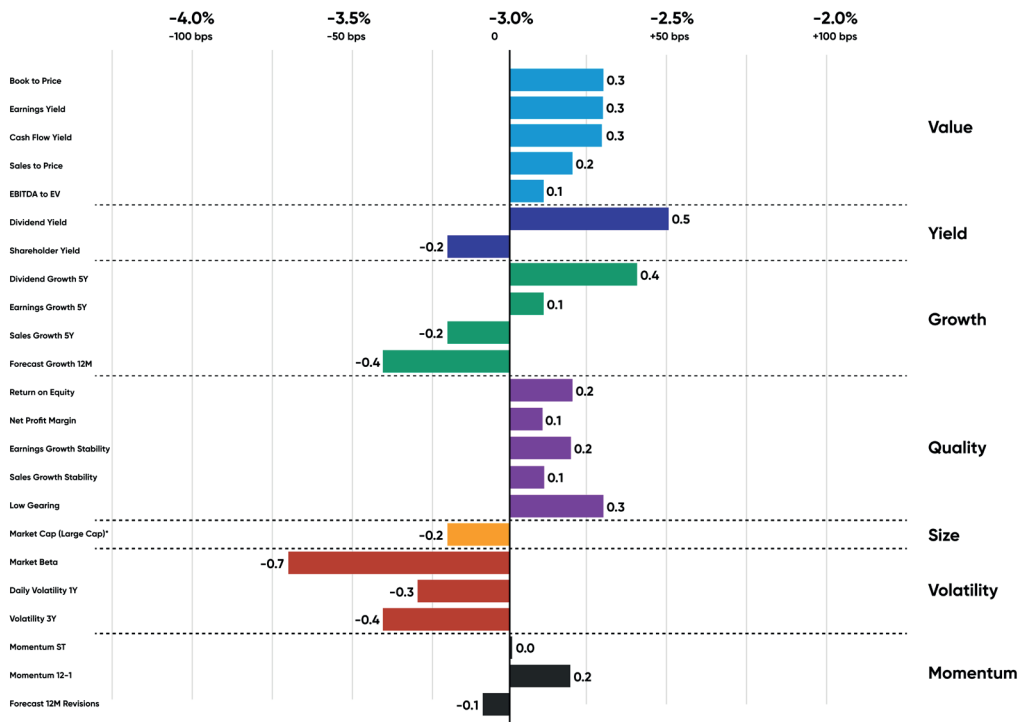


Figure 5: Nov 2024 Emerging Factor Performance (country and sector adjusted)

Source: Confluence Style Analytics

Canadian Equities

As in the previous month, the factor performance trend in Canada favored Volatility and Momentum. Volatility 3Y and Volatility 1Y outperformed the market tremendously by 260bps and 250bps, respectively, this month.

Canada's annual inflation rate increased to 2% in October 2024, up from a more-than-three-year low of 1.6% in the previous month. Canada's manufacturing production fell by 4.30% in September 2024 compared to the same month in the previous year.

Stocks with strong momentum 12-1 in the region include Info tech company Shopify (+47.27% in November) and financials company Brookfield Corp. (+16.0 % in November).

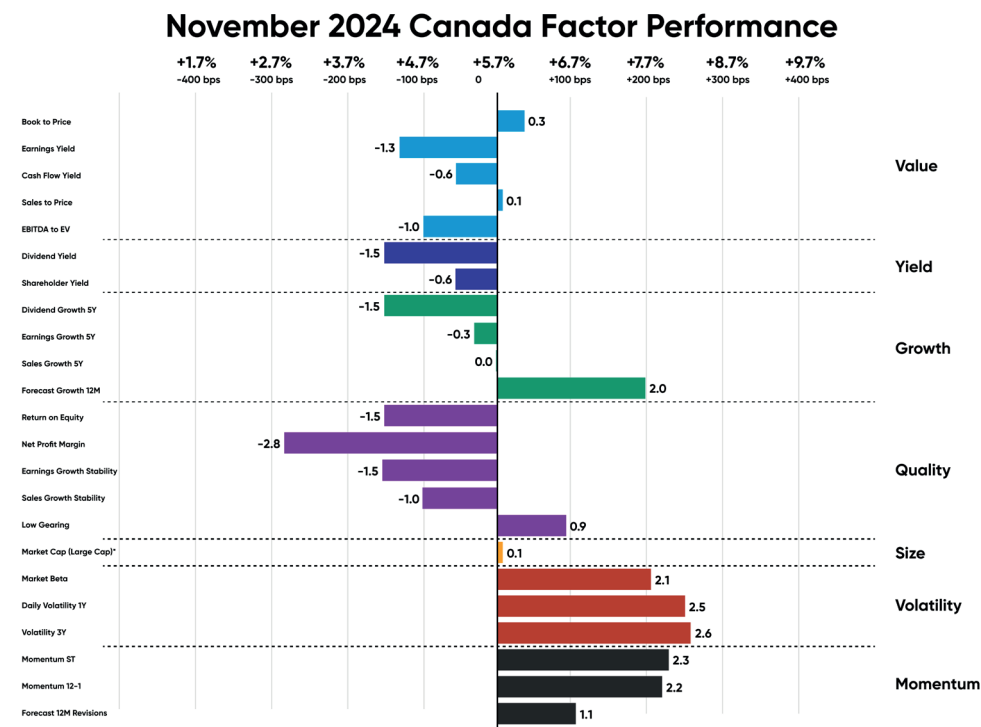


Figure 6: Nov 2024 Canada Factor Performance (sector adjusted)

Source: Confluence Style Analytics

Appendix: How to read the charts

Each factor's performance is based on the relative performance of its top 50% of stocks by market cap, compared to the overall market. The Size factor uses the top 70% of stocks, as the only exception.

For example, for the book-to-price factor, we determine the period's performance of the basket of stocks with the highest book-to-price values, relative to the total market. Each factor is analyzed independently, market and fundamental data are adjusted to enable sector-average (within each country) relative data to be used, and the performance measurement isolates the factor's contribution to return.

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