The Most Wonderful Time of the Year for the Economy

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Cetera® Investment Management LLC

The aroma of peppermint and fresh pine, the warmth of a crackling fireplace, and vibrant holiday lights create a perfect seasonal atmosphere for all to enjoy.* It truly is the most wonderful time of the year—and the economy agrees! The festive mood brings bustling airports and packed stores as consumers embrace the holiday spirit. The generosity of the holiday season extends to both the economy and financial markets.

So, grab a cup of hot cocoa as we take a sleigh ride through the holiday economy!

Stocking Stuffers

How The Grinch Stole Box Office Records. The all-time highest-grossing holiday movie is 2018's *The Grinch*, which earned $539 million globally.[1] Right behind is 1990's *Home Alone*, which grossed $477 million – taking the top spot if adjusted for inflation.

Do You Hear What I Hear? In December 1965, astronauts Wally Schirra and Tom Stafford played "Jingle Bells" using a harmonica and bells aboard NASA's Gemini 6A space flight, making it the first song played in space using musical instruments.[2]

Wrapping It Up. Black Friday is the busiest shopping day of the year, but the second busiest is Super Saturday.[3] Last-minute shoppers rush to "wrap up" their holiday shopping on the final Saturday before Christmas, which falls on December 21 this year.

Up on the Rooftop. Residential construction employment is at an all-time high, despite building activity remaining below its peak from the pandemic housing boom. Should Fed rate cuts ease mortgage rates, increased housing demand could help keep jobs "up on the rooftop."

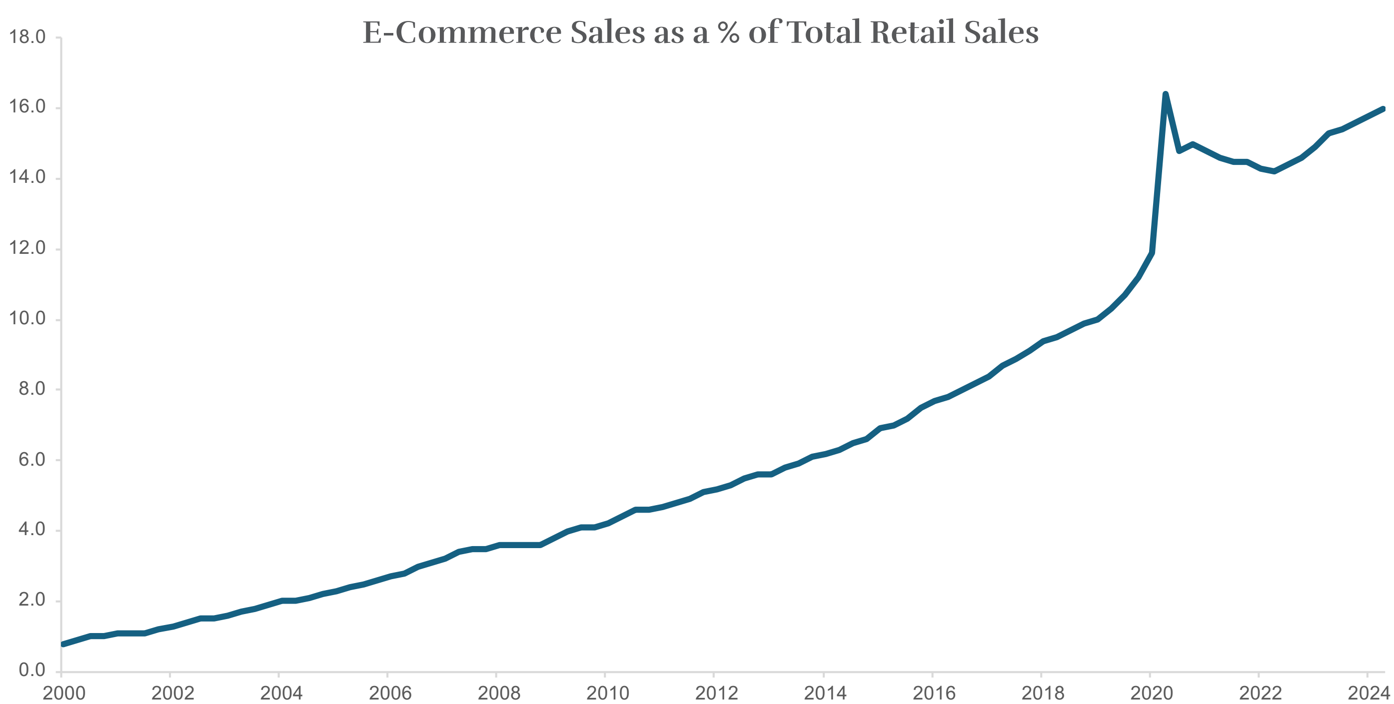
Santa's Workshop. Manufacturing activity has stalled since the Fed began hiking interest rates in March 2022. However, we may be entering a brighter industrial future for domestic manufacturing, thanks to the combined impact of record spending on the construction of manufacturing facilities and an expected easing of interest rates. Elves at Santa's workshop should be prepared to get busy.

*Whether you are celebrating Christmas, Hanukkah, New Year's, or other winter holidays that are important to you.

Elf on the Shelf

The days of waiting for Black Friday to kick off the holiday shopping season are long gone. Retailers now stock shelves with elves and other holiday décor before Halloween. By the same token, spooky Halloween displays appear as early as July in some stores. According to the National Retail Federation, nearly half of consumers begin their holiday shopping before November.[4] Avoiding crowds, spreading out purchases, and reducing holiday stress are key reasons for getting a head start. Shopping habits are also evolving, as more consumers choose the convenience of shopping online. E-commerce sales now account for 16% of total retail sales, up from 6% a decade ago and 1% in 2000 (Figure 1).

Figure 1: E-Commerce Sales



Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, U.S. Census Bureau. Data as of 6/30/2024.

Whether shopping online or at the mall, the holiday spirit is shining bright for consumers this season. Consumer balance sheets are in good health, with manageable debt levels in an environment of easing interest rates. Although job growth is moderating, the labor market is still in good shape, as layoffs remain low. The post-pandemic inflationary effects still linger, but wages are once again outpacing inflation, putting more money in our pockets for holiday purchases. Boosted by record-high home values and stock market gains, consumers may feel extra holiday joy thanks to the wealth effect. With inflation cooling, the mood of shoppers is a little brighter this holiday season.

According to the National Retail Federation, total holiday spending in the months of November and December is expected to reach a record $979–$989 billion, an increase of roughly 2.5% to 3.5% over last year's $955.6 billion.[5] There are 26 days between Thanksgiving and Christmas this year, five fewer holiday shopping days than last year. That isn't expected to slow down determined shoppers, who as mentioned earlier, tend to get a head start on holiday shopping. Hanukkah, on the other hand, begins on December 25 this year, much later than 2023 when it began on December 7. While the pace of consumer holiday spending growth is expected to moderate compared to recent years, spending habits are showing signs of stabilizing, returning to more typical patterns seen before the pandemic.

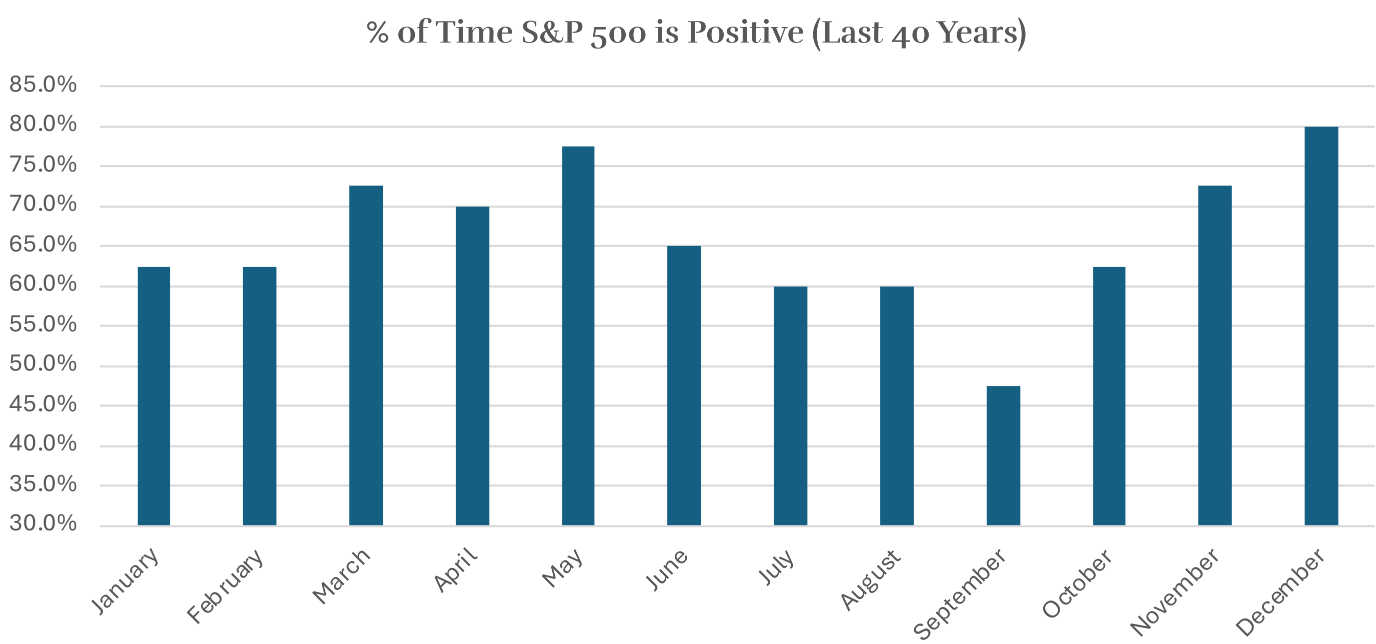
Home for the Holidays

Dealing with overcrowded airports and slow-moving freeways is a small price to pay to spend the holidays with loved ones. Winter weather delays don't make it any easier to stay in a jolly holiday mood, but more than 100 million people drive 50 miles or more for Christmas and New Year holiday celebrations according to AAA,[6] while more than seven million people fly–amounting to about a third of Americans traveling for the holidays. Consumers remain in good financial health, with growth in services spending still above pre-pandemic levels, providing a tailwind for holiday travel demand. The post-pandemic travel boom hasn't faded, and 2024 is set to be the strongest year on record for air travel. An average of 2.5 million people have flown daily in the first 10 months of the year, an increase of 5.2% compared to the same period last year. This trend is encouraging for the travel industry, which is shaping up to end the year on a high note.

Here Comes Santa Claus

Santa may have arrived early on Wall Street this year. The S&P 500 was already up over 20% before the arrival of December, thanks to more than 50 new record highs in 2024. Adding to the seasonal joy, December has been the most consistent month for stock market gains, with positive S&P 500 returns 80% of the time over the last 40 years (Figure 2).

Figure 2: Frequency of Positive S&P 500 Monthly Returns



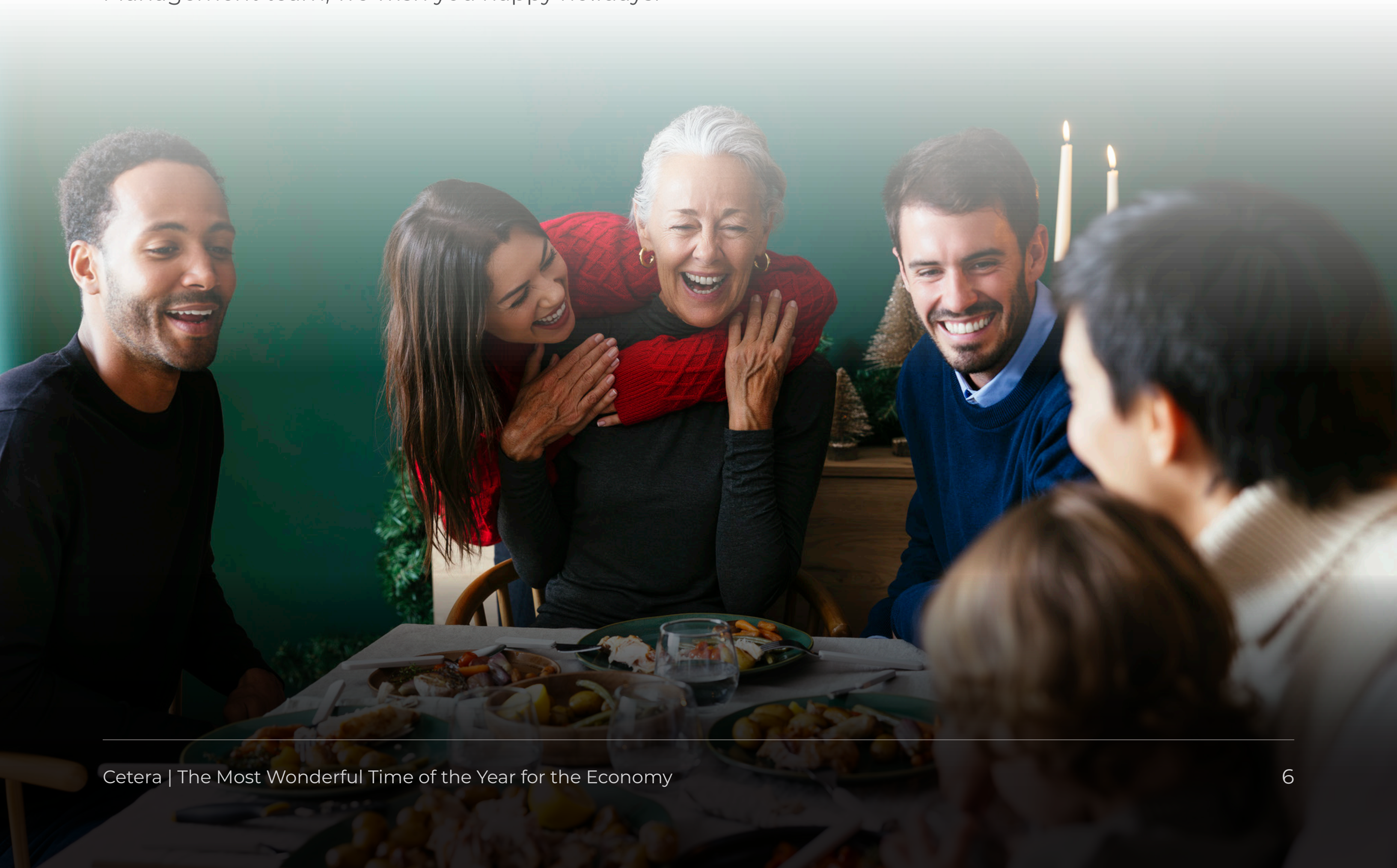
Source: Cetera Investment Management, FactSet, Standard & Poor's. Total returns used, which include dividends. Data as of 10/31/2024.

However, not every December is one to remember. In 2018 and 2022 the stock market closed out the year with sharp December declines of 9% and 5.8%, respectively. The good news for investors is that a strong market rebound followed in both cases – the S&P 500 generated a total return of 31.5% in 2019 and 26.3% in 2023. Sometimes a little patience is needed.

Santa's end-of-year "stocking stuffer" for the market is known as the "Santa Claus rally," which tends to lift stocks over the last five trading days of the year and the first two days of the new year. This market anomaly is often attributed to a calendar effect caused by light trading volumes during the holidays. While a Santa Claus rally doesn't happen every year, returns were positive in seven of the last 10 years. The three declines, however, brought the average Santa Claus rally return over this period down to just 0.02%. Whether Santa delivers an additional boost or not, 2024 has already been a strong year for the markets. Unless, of course, the Grinch steals market returns before the year is over.

It's the Most Wonderful Time of the Year

It's hard to believe that 2024 is coming to a close. As the holidays approach, life can get hectic with last-minute tasks, from wrapping up holiday shopping (and gifts!) to completing year-end tasks. Spending time with loved ones to celebrate cherished traditions makes this season especially wonderful. The economy couldn't agree more. It's also a perfect opportunity to reflect and start planning for the year ahead. A new year brings fresh goals, both personal and financial. Be sure to connect with your Cetera financial professional to help guide you in setting and achieving those goals. From the Cetera Investment Management team, we wish you happy holidays!



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Glossary
The S&P 500 is an index of roughly 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return

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