

# WEEKLY MARKET COMMENTARY

October 7, 2024

## WEEK IN REVIEW

The financial markets continue to adjust their views on interest rates and inflation, with all major indices posting positive results, and the 10-Year Treasury rising 18 basis points (bps).

- The S&P 500 rose **0.22%**
- The Dow Jones Industrial Average climbed **0.09%**
- The Nasdaq finished the week up **0.10%**
- The 10-Year Treasury yield ended the week at **3.98%**

Starting the week, Federal Reserve (Fed) Chair Jerome Powell emphasized that the economy is in solid shape and the Fed has made significant progress over the past two years toward achieving their dual-mandate goals of maximum employment and stable prices. The Fed, however, does not think the current state of the economy warrants cutting rates quickly, but will continue to reduce interest rates from a two-decade high while taking a data-dependent approach.

The Fed's view on the speed of interest rate cuts was reaffirmed by the labor market. The market was surprised by both the Job Openings and Labor Turnover Survey (JOLTS) report and the nonfarm payrolls report. The JOLTS report on Tuesday showed that U.S. job openings unexpectedly increased in August after two straight months of decreases. Still, hiring was soft and consistent with a slowing labor market; there were 1.13 job openings for every unemployed person in August compared to 1.08 in July. Friday's non-farm report showed that job growth accelerated sharply in September, and the unemployment rate ticked lower. Employers added 254,000 jobs last month, significantly more than the 150,000 expected. The unemployment rate declined to 4.1% as a result.

Producer and Services Purchasing Managers' Index (PMI) was also released during the week. Manufacturing PMI in September remained in contraction at 47.2%, matching the figure recorded in August. The weakening continues to be driven by demand, as companies have shown an unwillingness to invest in capital and inventory with uncertainty in the economy. Services PMI improved in September, registering 54.9% – 3.4% higher than August and the highest reading since February 2023.

## SPOTLIGHT

### Third Quarter Equity and Fixed Income Review

As we begin the fourth quarter, we take a closer look back at the third quarter to see what happened from a broad view in equity and fixed income markets.

## Equity Review

In the third quarter, we saw a reversal of the first two quarters. Small cap U.S. equities outperformed all, as the Russell 2000 returned 9.3%, outperforming the large cap Russell 1000 by 3.2% (6.1%). In non-U.S. equities, emerging markets outperformed developed markets, while international as a whole outperformed. Value outperformed growth, with the Russell 1000 Value returning 9.43% versus 3.19% for the Russell 1000 Growth.

PERIOD TABLE - EQUITY MARKETS											
As of Date: 9/30/2024 Source Data: Total, Monthly Return								5YR Annualized		5YR SD	
LC Growth -1.51	LC Growth 36.39	LC Growth 38.49	MC Value 28.34	LC Value -7.54	LC Growth 42.68	LC Growth 24.55	SC Value 10.15	LC Growth 19.74	Gbl Equities 17.37		
MC Growth -4.75	MC Growth 35.47	MC Growth 35.59	SC Value 28.27	MC Value -12.03	LC Core 26.53	LC Core 21.18	MC Value 10.08	LC Core 15.64	Intl Equities 17.66		
LC Core -4.78	LC Core 31.43	SC Growth 34.63	LC Growth 27.60	Intl Equities -14.45	MC Growth 25.87	Gbl Equities 18.66	LC Value 9.43	Gbl Equities 12.19	LC Value 18.43		
LC Value -8.27	MC Core 30.54	LC Core 20.96	LC Core 26.45	SC Value -14.48	Gbl Equities 22.20	EM Equities 16.86	SC Core 9.27	MC Growth 11.48	LC Core 18.43		
MC Core -9.06	SC Growth 28.48	SC Core 19.96	LC Value 25.16	MC Core -17.32	SC Growth 18.66	LC Value 16.88	MC Core 9.21	MC Core 11.30	EM Equities 18.63		
SC Growth -9.31	MC Value 27.06	EM Equities 18.31	MC Core 22.58	Gbl Equities -18.36	Intl Equities 18.24	MC Value 15.08	EM Equities 8.72	LC Value 10.69	LC Growth 20.58		
Gbl Equities -9.41	Gbl Equities 26.60	MC Core 17.10	Gbl Equities 18.54	LC Core -19.13	MC Core 17.23	MC Core 14.63	SC Growth 8.41	MC Value 10.33	MC Core 20.96		
SC Core -11.01	LC Value 26.54	Gbl Equities 16.25	SC Core 14.82	EM Equities -20.09	SC Core 16.93	SC Growth 13.22	Intl Equities 7.26	SC Core 9.39	MC Growth 21.66		
MC Value -12.29	SC Core 25.52	Intl Equities 7.82	MC Growth 12.73	SC Core -20.44	SC Value 14.65	Intl Equities 12.99	Gbl Equities 6.61	SC Value 9.29	MC Value 21.71		
SC Value -12.86	SC Value 22.39	MC Value 4.96	Intl Equities 11.26	SC Growth -26.36	MC Value 12.71	MC Growth 12.91	MC Growth 6.54	SC Growth 8.82	SC Core 23.96		
Intl Equities -13.79	Intl Equities 22.01	SC Value 4.63	SC Growth 2.83	MC Growth -26.72	LC Value 11.46	SC Core 11.17	LC Core 6.08	Intl Equities 8.20	SC Growth 24.09		
EM Equities -14.58	EM Equities 18.44	LC Value 2.80	EM Equities -2.54	LC Growth -29.14	EM Equities 9.83	SC Value 9.22	LC Growth 3.19	EM Equities 5.75	SC Value 25.03		
2018	2019	2020	2021	2022	2023	YTD	QTD	5 Years	5 Years		

Source: Morningstar Direct

## Sector Review

Utilities continued to lead year-to-date (YTD), with the strongest return of all the eleven S&P sectors, with a quarterly return of 19.28% and YTD return of 30.42%. Energy continued to lag, with a decline of -2.91% for the quarter and the lowest sector return for the year of 7.30%. Technology was the only other sector to not have a positive return for the quarter, albeit the sector was relatively flat (-0.01%). The other surprising sector was Real Estate (specifically, public Real Estate Investment Trusts, or REITs) which rebounded this quarter on improvements in vacancies and interest rates.

PERIOD TABLE - US EQUITY SECTORS (S&P)										
As of Date: 9/30/2024		Source Data: Total, Monthly Return						5YR Annualized		5YR SD
Best ↑ ↓ Worst	Health Care 6.30	Technology 49.97	Technology 43.67	Energy 53.26	Energy 64.29	Technology 55.97	Utilities 30.42	Utilities 19.28	Technology 24.07	Cons Staples 14.02
	Utilities 3.99	Financials 31.88	Cons Dis'nary 29.66	Real Estate 45.98	Utilities 1.47	Comm. S'vces 52.84	Comm. S'vces 25.48	Real Estate 17.14	Comm. S'vces 13.82	Health Care 14.97
	Cons Dis'nary 1.66	Comm. S'vces 31.22	Comm. S'vces 26.85	Financials 34.83	Cons Staples -0.80	Cons Dis'nary 39.63	Financials 21.81	Industrials 11.52	Energy 13.82	Utilities 18.10
	Technology -1.56	Industrials 29.11	Materials 20.46	Technology 34.55	Health Care -2.04	Industrials 18.03	Industrials 20.12	Financials 10.64	Industrials 13.66	Real Estate 20.63
	Real Estate -2.31	Real Estate 28.80	Health Care 13.33	Cons Dis'nary 27.85	Industrials -5.55	Materials 12.44	Technology 17.95	Cons Dis'nary 10.17	Health Care 13.24	Comm. S'vces 20.81
	Cons Staples -8.03	Cons Dis'nary 28.43	Industrials 11.00	Materials 27.47	Financials -10.56	Real Estate 12.27	Cons Staples 17.64	Materials 9.67	Materials 12.92	Industrials 21.27
	Financials -13.09	Cons Staples 27.44	Cons Staples 10.19	Health Care 25.93	Materials -12.32	Financials 12.03	Health Care 14.25	Cons Staples 9.01	Financials 12.31	Materials 21.84
	Industrials -13.10	Utilities 26.04	Utilities 0.52	Industrials 20.96	Real Estate -26.21	Health Care 1.99	Real Estate 14.22	Health Care 6.04	Cons Dis'nary 11.66	Technology 22.31
	Materials -14.78	Materials 24.19	Financials -1.68	Utilities 17.58	Technology -27.71	Energy -0.72	Materials 14.16	Comm. S'vces 5.88	Cons Staples 9.07	Financials 22.46
	Energy -18.10	Health Care 20.63	Real Estate -2.15	Cons Staples 17.12	Cons Dis'nary -36.25	Cons Staples -0.89	Cons Dis'nary 12.81	Technology -0.01	Utilities 7.90	Cons Dis'nary 24.30
	Energy 11.87	Energy -32.56	Comm. S'vces 15.90	Comm. S'vces -37.64	Utilities -7.14	Energy 7.30	Energy -2.91	Real Estate 6.09	Energy 36.74	
	2018	2019	2020	2021	2022	2023	YTD	QTD	5 Years	5 Years

Source: Morningstar Direct

## Fixed Income Review

With the Fed cutting rates for the first time since 2020, long-term bonds rallied in the third quarter, returning 7.81%. Correspondingly, cash was the worst performer, returning 1.28% and ending up 4% year to date. In spread sectors, emerging market debt led all spread sectors with 7.57%, trailing only high-yield bonds YTD with a return of 6.80%. Loans reversed their dominance with only a 2.04% gain for the quarter – they are still the top performer over the trailing five years.

## PERIOD TABLE - FIXED INCOME MARKETS

As of Date: 9/30/2024 Source Data: Total, Monthly Return

								5YR Annualized	5YR SD	
Best ↑	Int'l Bonds 3.17	High Yield 15.28	Long Term 17.55	TIPS 5.96	Cash 2.06	High Yield 13.76	High Yield 7.68	Long Term 7.81	Loans 5.74	Cash 0.67
	ABS 2.12	Long Term 14.75	TIPS 10.99	Loans 5.20	Loans -0.77	Loans 13.32	EM Debt 6.80	EM Debt 7.57	High Yield 4.18	Short Term 2.01
	Cash 1.98	EM Debt 14.31	Corporates 9.81	High Yield 4.51	Short Term -3.82	EM Debt 11.92	Loans 6.54	Corporates 5.72	TIPS 2.62	ABS 2.96
	Short Term 1.56	Corporates 14.23	US Govt 8.00	Munis 1.52	ABS -4.43	Corporates 8.40	Corporates 5.76	MBS 5.54	Cash 2.41	Int'l Bonds 4.19
	Int. Term 1.35	US Bonds 8.72	Int. Term 7.67	ABS 0.34	Munis -8.53	Int'l Bonds 8.32	ABS 5.50	US Bonds 5.20	ABS 2.30	Int. Term 5.30
	Munis 1.28	Loans 8.64	US Bonds 7.51	Cash 0.05	Int'l Bonds -9.76	Munis 6.40	TIPS 4.85	High Yield 5.12	Short Term 1.49	US Govt 5.75
	MBS 1.00	TIPS 8.43	High Yield 5.87	Short Term -0.60	Int. Term -10.50	ABS 6.28	MBS 4.66	Int. Term 4.74	Munis 1.39	TIPS 6.21
	US Govt 0.86	Int'l Bonds 7.57	Munis 5.21	Corporates -0.95	TIPS -11.85	US Bonds 5.53	US Bonds 4.45	US Govt 4.74	Corporates 1.29	US Bonds 6.26
	Loans 0.44	Munis 7.54	MBS 4.09	MBS -1.21	High Yield -11.88	Cash 5.27	Int. Term 4.24	TIPS 4.12	EM Debt 0.76	Munis 6.47
	US Bonds 0.01	US Govt 6.86	EM Debt 4.02	Int'l Bonds -1.40	MBS -11.88	MBS 4.98	Int'l Bonds 4.20	Int'l Bonds 3.48	Int'l Bonds 0.64	MBS 6.50
	TIPS -1.26	MBS 6.51	Int'l Bonds 3.94	US Bonds -1.54	US Govt -12.46	Short Term 4.29	Short Term 4.13	Short Term 2.91	Int. Term 0.35	Loans 7.13
	Long Term -1.79	Int. Term 6.43	ABS 3.82	US Govt -2.32	US Bonds -13.01	Int. Term 4.27	Cash 4.00	ABS 2.90	US Bonds 0.33	Corporates 8.64
	Corporates -2.25	ABS 4.22	Short Term 3.16	Int. Term -2.49	EM Debt -14.75	US Govt 4.05	US Govt 3.84	Munis 2.71	MBS 0.04	High Yield 9.53
	High Yield -2.57	Short Term 3.59	Loans 3.12	Long Term -4.57	Corporates -15.44	TIPS 3.90	Long Term 2.44	Loans 2.04	US Govt -0.20	EM Debt 11.22
Worst ↓	EM Debt -5.15	Cash 2.11	Cash 0.37	EM Debt -5.32	Long Term -29.19	Long Term 3.11	Munis 2.30	Cash 1.28	Long Term -4.25	Long Term 14.46
	2018	2019	2020	2021	2022	2023	YTD	QTD	5 Years	5 Years

Source: Morningstar Direct

### WEEK AHEAD

As the Fed's cutting cycle begins, Chair Jerome Powell's recent speech emphasized that the Fed is in no rush to cut rates aggressively. Powell highlighted that while inflation is easing, the Fed will remain cautious, moving forward with gradual adjustments based on incoming data.

As a result, the market's attention will remain on key economic indicators next week, particularly the Consumer Price Index (CPI) and Producer Price Index (PPI) reports. Though inflation has slowed significantly, any unexpected increase could unsettle the markets, making these reports crucial for the Fed's policy trajectory.

Another significant release next week will be the University of Michigan's Consumer Sentiment report. Consumer sentiment has been rising steadily in recent months, with the latest readings showing positive momentum. However, concerns surrounding the upcoming U.S. elections and ongoing geopolitical tensions may start to weigh on consumer confidence. While optimism remains strong, these external factors could introduce caution, especially if they create uncertainties for households and businesses. The markets will be closely watching these data points to get a clearer sense of how inflation and sentiment will shape the economy going into the year-end.

## DISCLOSURES

Legend, Category, Market Index

LC Growth, Large Cap Growth, Russell 1000 Growth TR USD

Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

LC Core, Large Cap Core, Russell 1000 TR USD

Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

LC Value, Large Cap Value, Russell 1000 Value TR USD

Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

MC Growth, Mid Cap Growth, Russell Midcap Growth TR USD

Measures the performance of the mid-cap segment of the U.S. equity universe, represents approximately 31% of the total market capitalization and includes approximately 800 of the smaller securities.

MC Core, Mid Cap Core, Russell Midcap Value TR USD

Measures the performance of the mid-cap segment of the U.S. equity universe, represents approximately 31% of the total market capitalization and includes approximately 800 of the smaller securities.

MC Value, Mid Cap Value, Russell Midcap Value TR USD

Measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

SC Growth, Small Cap Growth, Russell 2000 Growth TR USD

Measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

SC Core, Small Cap Core, Russell 2000 TR USD

Measures the performance of small-cap value segment of the U.S. equity universe, represents approximately 10% of the total market capitalization and includes approximately 2000 of the smallest securities.

SC Value, Small Cap Value, Russell 2000 Value TR USD

Measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Glbl. Equities, Global Equities, MSCI All Country Weighted Index (ACWI) NR USD

A free float-adjusted market capitalization weighted index that measures the equity market performance of developed and emerging markets. It consists of 44 country indices comprising 23 developed and 21 emerging market country indices.

Intl. Equities, Development International Equities, MSCI EAFE NR USD

Measures the performance of the development equity markets of Europe, Australasia and the Far East.

EM Equities, Emerging Market Equities, MSCI EM NR USD

Measures the performance of emerging equity markets.

Market Index Series

S&P US Equity Sectors, US Equity Sectors, S&P US Equity Sector Series

The S&P U.S. Select Sector indices are designed to reflect the U.S. equity markets and, through the markets, the U.S. economy.

The Select Sector Indices follow a modified market capitalization weight methodology. All components of the S&P 500 are assigned to at least one of 10 Select Sector Indices, which seek to track major economic segments and are highly liquid benchmarks. Stock classifications are based on the Global Industry Classification Standard (GICS).

There are 11 GICS sectors in the S&P 500:

- Information Technology (Legend – Technology)
- Health Care
- Financials
- Consumer Discretionary (Legend – Cons. Dis'nary)
- Communication Services (Legend – Comm. S'ves)

- Industrials
- Consumer Staples (Legend – Cons. Staples)
- Energy
- Utilities
- Real Estate
- Materials

MC Core, Mid Cap Value, Russell Midcap Value TR USD

Measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-value ratios and higher forecasted growth values.

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange.

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