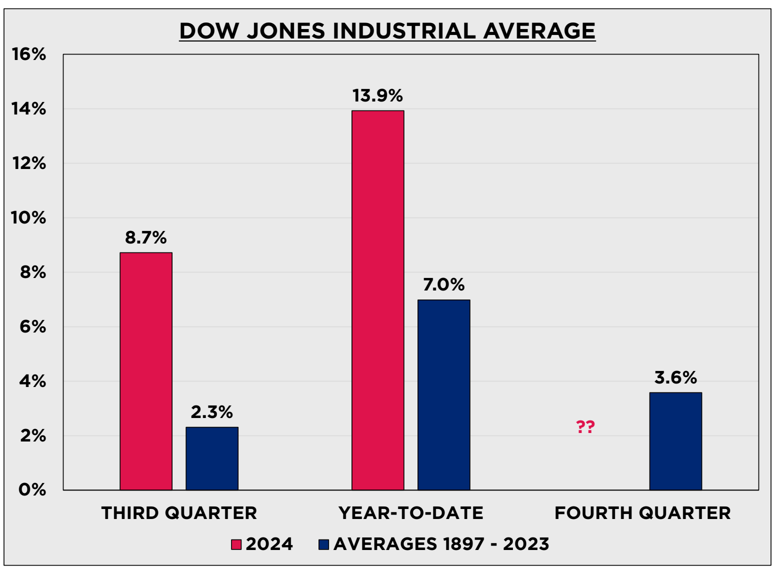
Market update

October 2, 2024

The third quarter finished on a strong note with generally positive September returns across most market sectors. A +2% gain for U.S. stocks brought the YTD return above +20%. Foreign market returns exceeded the U.S. in September but remained well behind for the YTD. With a monthly decline in yields once again, September bond returns combined modest price gains with coupon income.

	September	Year to Date
• U.S. Taxable Bonds	+1.3%	+4.4%
• U.S. Stocks	+2.0%	+20.6%
• Foreign Stocks	+2.7%	+14.7%

Investor expectation for a shift in Fed policy was not disappointed. In recent weeks, sentiment had grown for not only a shift to a lower policy rate in September but also a larger reduction than expected for some time. The Fed delivered with a 50 basis point reduction and indications of further rate cuts in 2024 and 2025. Focus now turns to maintaining a "soft-landing" of reduced inflation without a recession. This generally favorable economic scenario seems reflected in current market levels, raising risks of corrections from a range of factors.



The third quarter was characterized by top quartile stock market performance as shown in the chart here for the Dow Jones Industrial Average. For the YTD, DJIA return was well-above average as well. The backdrop for this favorable outcome included sustained economic activity, lower interest rates, an inflation downtrend and generally favorable corporate earnings growth. A wide range of outcomes surrounds the average historical DJIA gain in the fourth quarter. Even a modest under-performance in the quarter would fail to render full-year 2024 return a disappointment. Important developments ahead include the trend of Fed policy, the outcomes in U.S. elections, and rising geopolitical tensions and risks. While some clarity will emerge in the quarter ahead, outcomes for these developments likely will prevail well into 2025, shaping investor concerns and expectations.