

# QUARTERLY MARKET COMMENT

## Third Quarter 2024



History has shown that the Market's 3rd quarter (Q3) has a high probability of experiencing negative returns, with September being a down month 56% of the time. But not this year. Throughout the quarter it was anticipated the Federal Reserve (Fed) would start cutting interest rates in September, which they did, and with a larger cut than was expected. However, it wasn't void of excessive volatility and that has historically been the case leading up to a presidential election. One stock, Nvidia, which is known as the bellwether for artificial intelligence (AI), lost \$279 billion in a single day on September 3rd. This marked the largest one-day decline in a company's market value in U.S. history. Even with this level of turbulence, there was a broadening within the stock market where all areas participated in the stock rally, as noted below. Small-capitalized companies outperformed mid and large-capitalized companies. Real Estate and Gold experienced double-digit positive returns, and all international companies had solid returns as well. For the first time in several quarters, bonds experienced positive returns while commodities were the only area showing some weakness. Apart from Energy, all sectors posted positive returns. Utilities and Real Estate were the top-performing sectors, up 19% and 14%, respectively.

We will be entering the 3<sup>rd</sup> year of this bull (upward) market around October 22<sup>nd</sup>. Historically the 3<sup>rd</sup> year can be more challenging. On a positive note, the Fed did cut interest rates by ½ (0.50%) of a percent in September. They have also stated they will continue to cut interest rates by 0.50% before the end of 2024 and 1% more throughout 2025. This is provided that the data they are looking at continues to trend as anticipated. Many of the key technical factors that economists rely on to determine the health of the economy are still a bit out of sync but are slowly coming back into a normal range since the pandemic. The Consumer Price Index (CPI), also referred to as inflation, has been falling, but is still above the Fed's target of 2%. For September, inflation came in at 2.4%. A tad higher than expected but a far cry from 9.1% in June of 2022. The Fed has also slightly shifted its focus from prioritizing a reduction in inflation to a dual mandate on employment and inflation. Unemployment had bumped up to 4.3% in July but had fallen to 4.1% in September. These are slight changes but one the Fed is watching as it can signal a weakening economy. They are still well below the historic average of 5.69%. The U.S. economy remains resilient and growing. There are some pockets where it is showing signs of slowing. For this reason, we remain cautiously optimistic about the economic outlook.

The markets have, in the past, experienced higher volatility leading up to a presidential election and this seems to dissipate once the election is over. The general trend of the markets is still up but with potential disruptions a possibility. It may be a bit bumpy at these higher altitudes. Investing in anything is not without risk. There are times when the markets get ahead of themselves (price is greater than valuation) or do not digest news well. It is ultimately the long-term upward trend of the markets that we need to stay focused on. The last few years have provided a great case study on the benefits of patience.

We appreciate and value the trust you have placed in us to help guide you through your financial life. Please let us know if you have any questions or concerns.

| Asset Index Category                 | 3Q<br>2024<br>% | YTD-<br>2024<br>% | 5-Year<br>Average<br>% | 10-Year<br>Average<br>% |
|--------------------------------------|-----------------|-------------------|------------------------|-------------------------|
| S&P 500 Index-Large Companies        | 5.53            | 20.81             | 14.12                  | 11.32                   |
| S&P 400 Index-Mid-size Companies     | 6.55            | 12.24             | 10.03                  | 8.58                    |
| Russell 2000 Index-Sm Companies      | 8.90            | 10.01             | 7.92                   | 7.31                    |
| US Real Estate Funds                 | 15.79           | 13.77             | 4.53                   | 6.94                    |
| Gold                                 | 12.93           | 27.22             | 11.26                  | 7.19                    |
| US Commodities                       | -0.22           | 5.78              | 8.75                   | 0.59                    |
| Global Real Estate Funds             | 15.57           | 11.55             | 2.13                   | 4.32                    |
| MSCI EAFE-Developed<br>International | 6.65            | 10.40             | 5.49                   | 2.95                    |
| MSCI EM Index-Emerging Markets       | 7.79            | 14.37             | 3.18                   | 1.54                    |
| Barclays US Aggregate Bond Index     | 5.20            | 4.45              | 0.33                   | 1.84                    |
| Long US Government Bond Index        | 5.04            | -2.03             | -7.28                  | -2.08                   |
| Emerging Market Bond Index           | 7.08            | 7.69              | 1.27                   | 1.72                    |

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