

3Q 2024 Market Summary

Financial markets continued marching upwards during third quarter of 2024, however the primary drivers of the market changed significantly. Market uncertainty and noise may increase around the upcoming US elections, but we recommend maintaining a long-term approach to investing focused on your specific investment goals.

The first half of 2024 saw significant returns for most companies associated with artificial intelligence (AI), however the third quarter saw a significant shift in leadership following economic data that suggested a hiring slowdown. This slowing employment data, along with inflation data trending down toward 2%, gave the Federal Reserve the rationale to cut its Fed Funds rate 50 basis points to a target range of 4.75% to 5.00%, even with equity markets near all-time highs, strong GDP growth and significant Federal deficit spending.

We view the near-term economic backdrop as supportive given recent rate cuts and strong growth driven by demand for AI-chips and a robust US consumer. However, much of this optimistic outlook may be reflected in large cap equity valuations, which remain stretched at 21.5 times forward price-to-earnings, well above historical averages of 16.7 times. That said, we remain optimistic on the long-term prospects of equities given pockets of more attractive valuations in mid and small cap companies and see bonds as still offering attractive coupon payments compared to the recent past.

In the near term, investors will likely turn their attention to the upcoming US elections, which remain hotly contested. We suggest avoiding any significant changes to your investment strategy based on an election prediction or expectation of what may change due to one political party's economic policies or another.

We'd instead point towards history, which suggests that markets have provided strong returns under administrations run by both political parties. Fundamentals, such as valuations, growth and profitability should continue to drive markets in the long term.

Equities

The S&P 500 rose 5.9% during the quarter. Year-to-date, the utility and technology sectors have led equity markets, with both sectors' widely followed indexes up over 30%. The S&P 400 Mid Cap Index returned 6.9% and the S&P 600 Small Cap Index returned 10.1% during the quarter. Technology stocks took a breather during the quarter, while interest rate sensitive stocks like utilities and real estate stocks rallied. International and emerging market stocks also performed well during the quarter with a weaker US dollar and the announcement of a massive stimulus plan in China, with the MSCI EAFE Index returning 7.3% and the MSCI Emerging Markets Index returning 8.7% during the quarter.

Fixed Income

Bonds rallied during the quarter as the Federal Reserve began cutting interest rates, bouncing back after a difficult period of rising rates. Through a combination of income and price appreciation, the Bloomberg US Aggregate Bond Index returned 5.2% during the quarter.

High-yield corporate bonds also benefited from the interest rate cuts, returning 5.3%. The Bloomberg Municipal Bond Index returned 2.7% while bank loans, the best performing fixed income asset class during the first half of the year, returned 2.0% during the quarter.

Commodities

Investors continued their gold rush this year, driving the commodity up 12.9% during the quarter and 27.2% year to date. The Bloomberg Commodity Index was flat for the quarter, while oil prices fell 18.8% to \$68.75 per barrel as OPEC extended production cuts to the end of the year.

Past performance is not indicative of future results. Please see the following page for additional disclosures and index descriptions.

Important Information:

The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Government/Credit 1-3 Year Index is an unmanaged index considered representative of performance of short-term US corporate bonds and US government bonds with maturities from one to three years.

The Bloomberg US High Yield Corporate Bond Index is a rules-based, market-value-weighted index engineered to measure publicly issued non-investment grade USD fixed-rate, taxable and corporate bonds.

The Core Personal Consumption Price Index measures the changes in the price of goods and services purchased by consumers for the purpose of consumption, excluding food and energy.

The LBMA Gold Price Index is the global benchmark for unallocated gold and silver delivered in London.

The Morningstar US Semiconductor Index measures the performance of companies that operate in the semiconductors industry in the US. This Index does not incorporate Environmental, Social, or Governance (ESG) criteria.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. and Canada.

The MSCI Emerging Markets Index is an index designed to measure equity market performance in global emerging markets.

The Russell 1000 Growth Index is a broadly diversified index predominantly made up of growth stocks of large US companies.

The Russell 1000 Value Index is a broadly diversified index predominantly made up of value stocks of large US companies.

The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

The Russell Midcap Index is a market capitalization-weighted index comprised of 800 publicly traded U.S. companies with market caps of between \$2 and \$10 billion.

The Standard & Poor's 500 Index, often abbreviated as S&P 500, is an American stock exchange market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

The S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS energy sector.

The S&P 500 Momentum Index is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance.

The West Texas Intermediate (WTI) oil, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content.

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