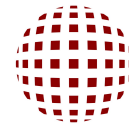




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Market Month: October 2024



The Markets (as of market close October 31, 2024)

Stocks closed lower in October as Wall Street couldn't maintain the momentum from September's strong showing after the Fed lowered interest rates. Equities began October on an upswing on the heels of a better-than-expected jobs report. In fact, during the first half of the month, the Dow and the S&P 500 reached record highs. However, investors began moving away from risk as the unrest in the Middle East intensified and sentiment grew that the Fed may not cut rates in November. Toward the end of the month, disappointing earnings data from big tech companies raised concerns about rising AI costs and the potential for profit pressures. Among the market sectors, only communication services, financials, and energy managed to outperform. Health care, materials, real estate, and consumer staples lagged.

Inflationary data showed price pressures edged higher but came within expectations. For the 12 months ended in September, the Consumer Price Index (CPI) dipped lower, while the annual rate for the personal consumption expenditures (PCE) price index came in at 2.1%, the lowest rate since early 2021 as each indicator moved closer to the Federal Reserve's 2.0% target rate range.

Growth of the U.S. economy continued at a modest pace. The gross domestic product (GDP) met expectations after increasing 2.8% in the third quarter following a 3.0% increase in the second quarter (see below). Personal consumption expenditures, the largest contributor in the calculation of GDP, rose 3.7%, with spending rising in durable goods and nondurable goods. Government expenditures, up 5.0%, were the second largest contributor to GDP.

Job growth in September far exceeded expectations after adding 254,000 jobs, which followed upward revisions in both July and August. The unemployment rate slid 0.1 percentage point to 4.1%, while the number of unemployed declined. Wage growth rose 0.4% in September and 4.0% over the past 12 months. The Fed's 50-basis-point decrease in interest rates probably played a large part in the spurt in job growth in September. However, the latest jobs data also will likely encourage tempering the pace of further rate cuts. New weekly unemployment claims decreased from a year ago, while total claims paid increased (see below).

With about 37% of the S&P 500 companies reporting, third-quarter earnings results have been mixed. While the S&P 500 reported earnings growth for the fifth straight quarter, it was the lowest growth rate since the second quarter of 2023. Of the companies reporting thus far, roughly 75% have indicated actual earnings per share (EPS) above estimates, which is below the 5-year average of 77% but equal to the 10-year average of 75%. Companies in the financials and consumer discretionary sectors were the largest contributors to the increase in overall earnings growth thus far. On the other hand, earnings lagged from companies in the industrials, health care, and energy sectors.

Rising mortgage rates cooled real estate sales over the past few months. However, with rates gradually falling and inventory increasing, the home sector is expected to bounce back. In September sales of existing homes declined, while new home sales increased. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.44% as of October 17, up from 6.32% one week earlier, but down from 7.63% from one year ago.

Industrial production retracted in September from August, which saw a 0.3% decline. Manufacturing output decreased 0.4% in September and was 0.5% below its year-earlier level. This trend was further endorsed by purchasing managers, who reported manufacturing continued to slow in September. On the other hand,

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Key Dates/Data Releases

11/3: Employment situation, S&P Global Manufacturing PMI

11/5: International trade in goods and services

11/6: S&P Global Services PMI

11/7: FOMC meeting statement

11/13: Consumer Price Index, Treasury statement

11/14: Producer Price Index

11/15: Import and export prices, retail sales, industrial production

11/19: Housing starts

11/21: Existing home sales

11/26: New home sales

11/26: GDP, durable goods orders, international trade in goods, personal income and outlays

the services sector rose modestly higher.

October proved to be a rocky month for bonds. Ten-year Treasury yields closed the month up, reaching the highest level in over three months. As favorable economic data supported the notion that the U.S. economy could withstand higher interest rates. The two-year note closed October at 4.18%, a monthly gain of 5.7 basis points. The dollar strengthened, marking its strongest monthly gain in more than two years. Gold prices hit a record high of \$2,790.00 during the month, only to slip lower, but well into the black for the month. Crude oil prices rose higher by the end of the month, but remained somewhat subdued, as investors anticipated a supply increase by OPEC+ in October and decreased demand in China. The retail price of regular gasoline was \$3.097 per gallon on October 28, \$0.082 below the price a month earlier and \$0.376 less than the price a year ago.


Stock Market Indexes

Market/Index	2023 Close	Prior Month	As of October 31	Monthly Change	YTD Change
DJIA	37,689.54	42,330.15	41,763.46	-1.34%	10.81%
NASDAQ	15,011.35	18,189.17	18,095.15	-0.52%	20.54%
S&P 500	4,769.83	5,762.48	5,705.45	-0.99%	19.62%
Russell 2000	2,027.07	2,229.97	2,196.65	-1.49%	8.37%
Global Dow	4,355.28	5,029.62	4,892.56	-2.73%	12.34%
fed. funds target rate	5.25%-5.50%	4.75%-5.00%	4.75%-5.00%	0 bps	-50 bps
10-year Treasuries	3.86%	3.80%	4.28%	48 bps	42 bps
US Dollar-DXY	101.39	100.75	103.89	3.12%	2.47%
Crude Oil-CL=F	\$71.30	\$68.35	\$70.40	3.00%	-1.26%
Gold-GC=F	\$2,072.50	\$2,654.60	\$2,756.30	3.83%	32.99%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark the performance of specific investments.


Latest Economic Reports

- **Employment:** Total employment increased by 254,000 in September, well above the consensus of 132,500 and higher than the 12-month average gain of 203,000. The September estimate followed upward revisions in both July and August, which, combined, were 72,000 higher than previously reported. In September, job gains occurred in food services and drinking places, health care, government, social assistance, and construction. The unemployment rate for September ticked down 0.1 percentage point to 4.1% but was 0.3 percentage point above the rate from a year earlier (3.8%). The number of unemployed persons, at 6.8 million, was 281,000 below the August figure, but 487,000 above the September 2023 estimate. The number of long-term unemployed (those jobless for 27 weeks or more) at 1.6 million, was 97,000 above the August total and accounted for 23.7% of all unemployed people. The labor force participation rate, at 62.7%, was unchanged from August, while the employment-population ratio rose 0.2 percentage point to 60.2%. In September, average hourly earnings increased by \$0.13, or 0.4%, to \$35.36. Since September 2023, average hourly earnings rose by 4.0%. The average workweek edged down 0.1 hour to 34.2 hours.
- There were 216,000 initial claims for unemployment insurance for the week ended October 26, 2024. During the same period, the total number of workers receiving unemployment insurance was 1,862,000. A year ago, there were 216,000 initial claims, while the total number of workers receiving unemployment insurance was 1,816,000.
- **FOMC/interest rates:** The Federal Open Market Committee did not meet in October. It next meets during the week of November 8. While the PCE price index continued to move closer to the Fed's 2.0% target, the core annual rate (2.7%) remained relatively elevated. The Fed is not likely to reverse course and raise interest rates based on this information (in addition to moderate economic and job growth). By the same token, Fed governors may be hesitant to lower rates in November.
- **GDP/budget:** According to the initial estimate from the Bureau of Economic Analysis, the economy, as measured by gross domestic product, accelerated at an annualized rate of 2.8% in the third quarter of 2024. GDP increased 3.0% in the second quarter. Personal consumption expenditures rose 3.7% in the third quarter compared to a 2.8% increase in the previous quarter. Consumer spending on goods rose



6.0%, while spending on services advanced 2.6%. Personal consumption expenditures (2.46%) contributed the most to overall economic growth. Gross domestic investment advanced 0.3% in the third quarter, well below the 8.3% increase in the second quarter. Nonresidential (business) fixed investment advanced 3.3% in the third quarter (3.9% in the second quarter), while residential fixed investment declined 5.1%, compared to a 2.8% decrease in the second quarter. Exports climbed 8.9%, while imports, which are a negative in the calculation of GDP, increased 11.2%. Consumer prices, as measured by the personal consumption expenditures price index, increased 1.5%, compared with an increase of 2.5% in the second quarter. Excluding food and energy prices, the PCE price index increased 2.2%, compared with an increase of 2.8% in the prior quarter.

- September was the last month of the fiscal year for the federal government. In September, the federal budget statement showed a surplus \$64.3 billion versus a deficit of \$170.7 billion a year ago. In September, government receipts totaled \$527.6 billion, while government outlays were \$463.4 billion. For fiscal year 2024, the total deficit \$1,832.8 trillion, which was roughly \$137.6 billion more than the deficit from the previous fiscal year. For FY24, total receipts were \$4,918.7 trillion and total expenditures were \$6,751.6 trillion. Individual income tax receipts for FY 24 totaled \$2,426.1 trillion, while corporate income tax receipts were \$529.9 billion. Social Security payments were estimated at \$1,461.0 trillion, accounted for the largest outlays for the fiscal year.
- **Inflation/consumer spending:** The PCE price index ticked up 0.2% in September after increasing 0.1% in August and was in line with expectations. Prices for goods decreased 0.1%, while prices for services increased 0.3%. Food prices increased 0.4%, while energy prices decreased 2.0%. Excluding food and energy, the PCE price index increased 0.3%. The 12-month PCE price index for September increased 2.1%, the lowest annual rate since February 2021. Prices for goods decreased 1.2% although prices for services increased 3.7%. Food prices increased 1.2%, while energy prices decreased 8.1%. Excluding food and energy, the PCE price index increased 2.7% from one year ago. Also in September, both personal income and disposable (after-tax) personal income rose 0.3%. Personal consumption expenditures, a measure of consumer spending, increased 0.5%.
- The Consumer Price Index rose 0.2% in September, the same increase as in August and July. Over the 12 months ended in September, the CPI rose 2.4%, down 0.1 percentage point from the 12-month period ended in August. This was the smallest 12-month increase since February 2021. Excluding food and energy, the CPI rose 0.3% in September, unchanged from the previous month's total, and 3.3% from September 2023. Shelter prices rose 0.2% in September and prices for food increased 0.4%. Together, these two components contributed over 75% of the monthly all items increase. Since September 2023, shelter prices have risen 4.9%, while food prices increased 2.3%. Energy prices were down 1.9% in September and 6.8% lower than a year ago. Much of the decrease in energy prices was from a 4.1% decline in gasoline prices.
- The Producer Price Index was flat in September after ticking up 0.2% in August. In September, a 0.2% increase in prices for services offset a 0.2% decline in prices for goods. For the 12 months ended in September, producer prices advanced 1.8%.
- **Housing:** Sales of existing homes declined 1.0% in September and 3.5% over the last 12 months. According to the National Association of Realtors® (NAR), the market for existing homes remained sluggish but lower mortgage rates and increased inventory should help spur sales moving forward. Unsold inventory of existing homes in September represented a 4.3-month supply at the current sales pace, up 1.5% from the August estimate. The median existing-home price fell 2.4% in September to \$404,500, but was 3.0% above the September 2023 price of \$392,700. Sales of existing single-family homes decreased 0.6% in September and were down 2.3% from a year ago. The median existing single-family home price was \$409,000 in September, down from \$419,000 in August but above the September 2023 estimate of \$397,400.
- New single-family home sales increased 4.1% in September and were 6.3% higher than the September 2023 rate. The median sales price of new single-family houses sold in July was \$426,300 (\$410,900 in August). The September average sales price was \$501,000 (\$486,500 in August). The inventory of new single-family homes for sale in September represented a supply of 7.6 months at the current sales pace, down from 7.9 months in August.
- **Manufacturing:** Industrial production decreased 0.3% in September after advancing 0.3% in the prior month. A strike at a major producer of civilian aircraft held down total growth by an estimated 0.3% in September, and the effects of two hurricanes subtracted an estimated 0.3%. Manufacturing output declined 0.4% in September and was 0.5% below its year-earlier level. Mining output fell 0.6%, while utilities rose 0.7%. For the 12 months ended in September, total industrial production moved down 0.6% from its year-earlier level. Over the same period, manufacturing decreased 0.7%, mining declined 2.2%, while utilities advanced 0.6%.
- New orders for durable goods declined 0.8% in September, following a 0.8% decrease in August.




Excluding transportation, new orders increased 0.4%. Excluding defense, new orders decreased 1.1%. Transportation equipment, down three of the last four months, drove the overall decrease, falling 3.1%. New orders for nondefense capital goods in September decreased 4.5%. New orders for defense capital goods in September rose 6.4%.

- **Imports and exports:** U.S. import prices receded 0.4% in September following a 0.2% decrease in August. The September decline in imports was the largest monthly drop since the index decreased 0.7% in December 2023. Prices for import fuel fell 7.0% in September, after declining 2.9% in August. Excluding fuel, import prices ticked up 0.1% in September. The August drop was the largest one-month decline since the index fell 8.0% in December 2023. Prices for nonfuel imports edged down 0.1% in August. Import prices edged down 0.1% over the past year, the first 12-month drop since February 2024. Prices for U.S. exports fell 0.7% in September, after advancing 0.9% the previous month. Lower prices for nonagricultural exports in September more than offset higher agricultural export prices. Export prices declined 2.1% over the past year, the largest 12-month decrease since January 2024.
- The international trade in goods deficit was \$108.2 billion in September, up 14.9%, or \$14.0 billion, from the August estimate. Exports of goods for September were \$174.2 billion, \$3.6 billion, or 2.9% more than August exports. Imports of goods for September were \$258.4 billion, \$10.4 billion, or 1.4% less than August imports.
- The latest information on international trade in goods and services, released October 8, was for August and revealed that the goods and services trade deficit was \$70.4 billion, up \$8.5 billion, or 10.8%, from the July deficit. August exports were \$271.8 billion, \$5.3 billion, or 2.0%, more than July exports. August imports were \$342.2 billion, \$3.2 billion, or 0.9% less than July imports. Year to date, the goods and services deficit increased \$47.1 billion, or 8.9%, from the same period in 2023. Exports increased \$79.0 billion, or 3.9%. Imports increased \$126.1 billion, or 4.9%.
- **International markets:** Annual inflation in the eurozone grew to 2.0% in October, up from 1.7% in September. The marginal increase was expected as last year's declines in energy prices are no longer factored into annual rates. In the United Kingdom, the annual inflation rate in September fell to 1.7%, the lowest since April 2021. China's annual inflation rate was estimated at 0.4% in September, below expectations and under August's figure of 0.6%. Canada's GDP grew by 0.3% in September, ending the third quarter with a 0.2% increase. For October, the STOXX Europe 600 Index dipped 2.3%; the United Kingdom's FTSE fell 2.3%; Japan's Nikkei 225 Index gained 1.4%; while China's Shanghai Composite Index declined 1.7%.
- **Consumer confidence:** Consumer confidence rose in October to 108.7, up from 99.2 in September, according to the Conference Board Consumer Confidence Index®. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, increased by 14.2 points to 138.0 in October. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, increased to 89.1 in October, up from 82.8 in September.

Eye on the Month Ahead

All attention will be focused on the results of the presidential and congressional elections in early November. In addition, the Federal Reserve meets this month. After lowering the federal funds target rate range by 50.0 basis points in September, it is questionable whether an additional decrease is in the offing in November. However, the Fed meets again in December and may consider an interest rate adjustment at that time.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.



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 largest, publicly traded 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. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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