Market Commentary – Third Quarter of 2024

The equity and bond markets had broad gains this quarter. The top performing sectors were Utilities, Real Estate, and Industrials. The worst performing sectors were Energy, Information Technology, and Health Care. Technically, the upward trend in equities remain on track and the bulls appear to remain in control.

The table below provides third quarter and last 12 months returns as of 9/30/2024 (percentages are for total returns):

Time Period	Dow Jones Industrial Average	S&P 500 Index	Nasdaq Composite	Barclays U.S. Aggregate Bond
Third Quarter	8.7%	5.9%	2.8%	5.2%
Last 12 Months	28.8%	36.4%	38.6%	11.6%

Equity & Bond Markets

There has been a broadening out since the July high's, resulting in investing opportunities outside of information technology stocks. We continue to focus on investing in high quality companies with strong balance sheets, low debt and strong free cash flow. Recently, we made some tactical changes to the investment portfolio by selling a few underperforming stocks. The cash proceeds will be reinvested during the month of October.

The bond markets posted a very strong third quarter. With inflationary pressures easing, the Federal Reserve Monetary Committee (the FED) reduced its target interest rate by half a percentage point at its September meeting. Investors anticipate further cuts through the end of the year and into 2025. The initial impact will be a reduction in short-term interest rates. Long term interest rates are not directly impacted by actions of the FED. These rates are determined by economic conditions and the demand for government bonds. Our expectation is that long-term interest rates are near a cyclical peak. Therefore, we have begun locking up the current long-term interest rates by investing in longer duration individual bond holdings. U.S. Treasuries have become less favorable compared to other fixed income holdings such as government agencies and corporate bonds. We have therefore been investing more funds in these areas accordingly.

The Economy and Current Trends

Economic momentum has remained solid, with economic growth at 3.1% in the third quarter and expected 2% plus growth in the final quarter of the year. The rate of inflation is cooling and is trending towards the FED's target. Consequently, additional interest rate cuts are likely this year and for 2025 leading to lower borrowing rates for credit cards, automobiles and for business borrowings. Employment data for September was above expectations with over 250,000 jobs added, the highest in six months. The unemployment rate fell to 4.1% from 4.2% and prior months' jobs data was revised upward. The U.S. economic data is stronger than expected and appears to be driving the direction of equities higher. The FED's actions appear to be working of maintaining full employment while reducing inflation, the so called elusive "soft landing" scenario.

Outlook for the Fourth Quarter

The upcoming election is forefront on investors' minds; however, the worldwide elections have not had much impact on the market. Changes in interest rates and in presidents can be unsettling for investors, but we continue to stay focused on the long term. A volatile month of October before a presidential election would not be uncommon. Historically, stocks have had a positive return in 83% of presidential election years. The S&P 500 Index average return during election years has been 11.6% and an average of 10% in all years. The performance of the market is also dependent on other economic or geopolitical events not just tied to a specific party victory. The U.S. Congress most recently averted a shutdown by passing a bill that moved the funding deadline until December 20, 2024. Maybe a lame-duck House can accomplish a longer-term funding solution and avert the ongoing threats of government shutdowns.

We thank you for your ongoing confidence and trust. We look forward to connecting with you soon via a live meeting, voice, or video call.