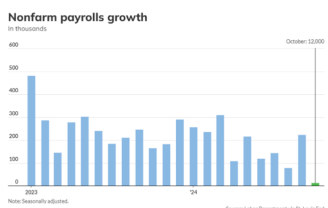
October 2024 Market Update

The Markets in October 2024

Investors took a breather from the markets' broad advance in October for the first time since April. In the month, the Dow Jones Industrial Average fell 1.3%, and the Russell 2000 index lost 1.5%. The S&P 5oo index dropped about 1%. By comparison, the Nasdaq index was lower by a more muted 0.5%.



Meanwhile, job growth slowed markedly in the month with impacts from hurricanes and a strike at Boeing dampening results. The Labor Department reported that the U.S. added only 12,000 jobs for October compared with a revised September monthly gain of 223,000 jobs. The good news is that the unemployment rate remained steady at 4.1% as expected by economists.

By month's end, the interest rate structure had leveled out since the Fed's first 50-bp rate cut in September—or more descriptively, it has been 'un-inverting'. This has created a beneficial environment for further government and consumer spending, which equated to a 2.8% annual GDP growth rate in the 3rd quarter according to the Commerce Department, only slightly down from the 2nd quarter's 3% rate. No recession signs yet!

"Head on a swivel' was an apt description of investing in October—which way to calm markets?

A Look Ahead

America's election results in early November will create a sea change in economic forces expected in the months ahead. For the short-term, though, it will likely be business as usual. The Federal Reserve adopted today a widely telegraphed 25-basis-point cut in November and there is another one anticipated for December. After that, the pace (and even question) of rate cuts will depend heavily on the new administration's policies especially with regards to taxes, tariffs, and the labor market and whether these could spark another round of high inflation.

In October, the Conference Board's index of consumer confidence spiked to 108.7 from September's 99.2 reading, indicating that consumers have become more optimistic about business conditions looking ahead. And fixed income rates are still healthy (with a caveat about rate volatility). At October's end, the U.S. Bloomberg Aggregate Bond index yielded about 4.70%, ~60 bps above September's year-to-date lows and over 180 bps more than its ten-year average of 2.87%. All in, it's a good time to be an investor, if less so as a borrower..

Special points of interest:

- **Broad market indices took a breather from their multi-month rallies in October.**
- **Job gains for the month were lower than expected, but rates continued to level out.**
- **The Fed adopted today a widely telegraphed 25-bp cut to short-term interest rates.**
- **Consumer confidence rose for the month, indicating more optimism about future business conditions.**

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