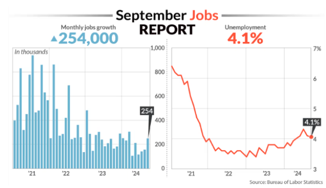
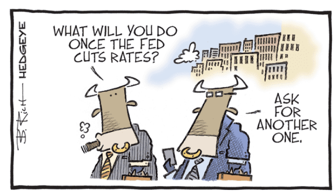
September 2024 Market Update

The Markets in September 2024

September was a month for contradictions on the economic front. On the one hand, the stage seemed set nicely for a benign investing environment. The Federal Reserve finally began lowering interest rates, starting with a cut of 50 basis points to a new target range of 4.75% to 5%. Spurred by this, the Nasdaq increased by a solid 2.7% while the S&P 500 index rose 2% and the Dow Jones Industrial Average lifted 1.8% higher. Further, as can be seen here, conditions seem to indicate that the Fed is succeeding in its quest for a soft economic landing. The Labor



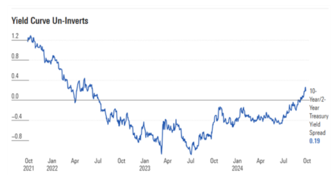
Department's September jobs report showed that our domestic economy created over 250k new jobs in the month, much more than the 150k increase that economists had been expecting on average. Plus, the August and July numbers were revised upwards, and the unemployment rate slipped to 4.1% from 4.2% the prior month. On the other hand, U.S. manufacturing activity contracted for a sixth straight month in September and consumer confidence weakened as concerns lingered over inflation and geopolitical tensions. The 10-year Treasury yield also rose from its level mid-month, though it was still lower than in August. The market seems to be saying that one was fun but two are now due!



The Federal Reserve cut interest rates by 50 bp in the month, spurring a solid performance for equities.

A Look Ahead

In September, U.S. investors finally got the rate cut that they have been waiting for. More cuts likely lie ahead, although chances for another 50 bp cut in the near future decreased significantly with the blowout September labor report. All eyes are now on the September Consumer Price Index report that will come out on October 10. In the meantime, investors also received an early holiday



present as the yield curve finally reverted back to its normal, 'un-inverted' state (see above). Economists expect the spread between the 10-year and 2-year Treasury bonds to stay positive and even widen further as more rate cuts come, although yields will likely drop more at the short end of the curve. Bond traders refer to this as a 'bull steepening' and it's a positive environment for fixed income. Does this mean that we are out of the woods for a recession? No, but I would argue that the chances for one are lower. Now, the next risk on deck is domestic election uncertainty.

Special points of interest:

- **The Fed began lowering interest rates in September, leading to a solid month for equities.**
- **The September jobs report came in stronger than expected and the unemployment rate dropped to 4.1%.**
- **The yield curve has finally reverted back to its normal, 'un-inverted' state.**
- **Chances for a domestic recession are lower, but election uncertainty is the next risk.**

Inside this issue:

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