



Monthly Recap

Equity markets were lower for October, a month that is historically weak for stocks. The economic data during the month was mixed, but ultimately resulted in consensus expectations for a 25-basis point rate cut at the November Federal Reserve meeting. Labor market data late in the month showed the slowest pace of hiring since 2020, although this was likely the result of the two hurricanes in the south as well as the Boeing strike. The prior month's jobs report was revised downward, providing more confidence that the Fed will continue to cut rates at its remaining two meetings this year. Retail sales were a positive surprise, and the CPI and PPI prints came in slightly higher than expected. Later in the month, GDP and PCE data continued favorable trends, but were below expectations. GDP for the prior quarter grew 2.8%, behind expectations of 3%. PCE showed that the month-over-month rate moved higher, leaving the annualized rate at 2.7% for the third consecutive month. There are a few ways to interpret this PCE reading. First, the path ahead for inflation will be less stable than the steady moderation we have seen over the last year, and the Fed may have to take pauses between rate cuts to assess trends in prices. The other view is that the stickiness in service prices is a result of the ongoing strength in the economy, particularly consumer spending, and it is a good sign for markets that we are seeing economic resilience coupled with slowing inflation. Fed Governor Waller spoke about the strength of the U.S. consumer and a slightly moderating but still stable labor market, ultimately taking a more restrictive tone. Third-quarter earnings began this month and got off to a strong start. Of the companies that have reported, 76% have beaten earnings expectations with an average EPS surprise of 6.1%.

Key Thought

If you think that interest rates have behaved oddly since the Federal Reserve cut the Fed funds rate by 50 basis points (bps) on September 18th, you are not alone. In the six weeks following the last FOMC meeting and monetary policy decision, the benchmark 10-year U.S. Treasury Note yield has increased over 60 bps to approximately 4.38%. The move is not isolated to the 10-year Note, as all major maturities across the U.S. Treasury interest rate curve have backed up precipitously between 57 and 72 bps. A long list of reasons centered on politics and the election have emerged but assigning specific weights to any contributing factors is unlikely to be determined until after next week's election outcome. Let's not forget global central banks have commenced easing monetary policy, and while the U.S. Fed may take a more measured approach to cutting interest rates, the process should likely continue through 2025. With that said, how much room remains for interest rates to increase and where do they potentially cap out? Some market analysts are calling for the 10-year rate to reach 5% again while others believe it could be even higher. However, the forward curve matrix on Bloomberg shows the 10-year yield at 4.45% one year from now. There appears to be a disconnect and given the lag effect of fiscal policy, it's going to be a bumpy road on the path to interest rate normalization.

11/1/2024		Wk	Wk		YTD	12 Mos
	Close	Net	%	Div	%	%
STOCKS	Change	Change	Change	Yield	Change	Change
DJIA	42,052.19	-62.21	-0.15	1.88	11.58	26.38
S&P 500	5,728.80	-79.32	-1.37	1.36	20.10	35.18
NASDAQ	18,239.92	-278.69	-1.50	0.78	21.51	39.65
S&P MidCap 400	3,102.85	-4.66	-0.15	1.55	11.55	30.31
EAFE	79.38	-0.50	-0.63	3.26	5.35	17.10
Emerging Market	55.76	-0.57	-1.01	2.79	10.24	20.17

TREASURIES	Yield	FOREX	Price	Wk
			Change	%
1-Year	4.27	EUR/USD	1.08	0.38
2-Year	4.21	USD/JPY	152.97	0.45
5-Year	4.22	GBP/USD	1.30	-0.34
10-Year	4.37	USD/CAD	1.39	0.61
30-Year	4.57			

Source: FactSet

Sector - Large Cap

	Close	Wk	Wk	Wk	Wk	YTD
	Change	Net	WTD	MTD	QTD	Change
Defensive						
Staples	861.13	-11.42	(1.3%)	(0.1%)	(3.0%)	13.0%
Health Care	1,721.67	-9.85	(0.6%)	0.6%	(4.2%)	8.3%
CommServices	320.03	4.81	1.5%	(0.1%)	1.7%	30.1%

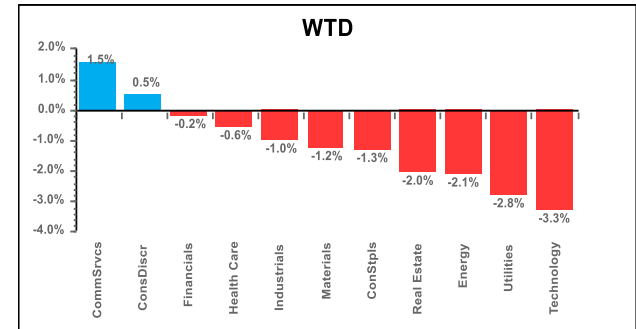
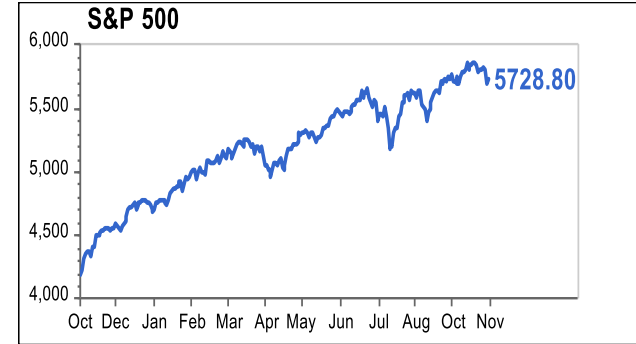
Eco Sensitive

Consumer Disc	1,618.22	7.71	0.5%	2.4%	0.8%	14.1%
Energy	676.20	-14.71	(2.1%)	(0.7%)	(0.0%)	5.6%
Industrials	1,132.95	-11.75	(1.0%)	0.2%	(1.2%)	17.4%
Info Tech	4,386.23	-148.68	(3.3%)	0.6%	(0.4%)	29.1%
Materials	585.02	-7.23	(1.2%)	(0.2%)	(3.7%)	8.4%

Interest Rate Sensitive

Financials	774.28	-1.38	(0.2%)	0.1%	2.7%	23.6%
Utilities	396.74	-11.48	(2.8%)	(2.3%)	(3.3%)	23.2%
REIT	270.07	-5.58	(2.0%)	0.0%	(3.7%)	7.6%

	COMING UP NEXT WEEK		Consensus	Prior
11/04	Durable Orders SA M/M (Final)	(Sep)	-0.80%	-0.80%
11/04	Factory Orders SA M/M	(Sep)	-0.40%	-0.20%
11/05	ISM Services PMI SA	(Oct)	54.0	54.9
11/07	Unit Labor Costs SAAR Q/Q (Preliminary)	(Q3)	0.50%	0.40%
11/07	Productivity SAAR Q/Q (Preliminary)	(Q3)	2.8%	2.5%
11/07	Fed Funds Target Upper Bound	-	4.75%	5.00%
11/07	Consumer Credit SA	(Sep)	\$11.6B	\$8.9B
11/08	Michigan Sentiment NSA (Preliminary)	(Nov)	70.0	70.5



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	-0.80%	-1.22%	-1.56%	15.19%	20.61%	24.78%	
Medium	-0.66%	-0.75%	-1.11%	13.33%	13.83%	14.68%	
Small	-0.18%	0.04%	0.25%	7.24%	10.06%	12.96%	