



Monthly Recap

The main news in September was the change in monetary policy, with the Federal Reserve cutting rates for the first time since the early stages of the COVID-19 pandemic in March 2020. The shift has lowered the Fed funds rates to 4.75-5.00%, and the market is anticipating 50 bps more cuts by the end of the year. The September decision to slash rates by 50 bps is the Fed's first 50+ bps cut, excluding Covid, since the 2008 financial crisis. Economic data, including a cooling labor market and moderating inflation, were key drivers behind a 50-bps cut. The decision was not unanimous with Governor Michelle Bowman dissenting in favor of a 25-bps cut. The long-run dot plot expects Fed fund rates to move to 2.875%, higher than the prior 2.75%, led by an additional 100-bps of cuts in 2025, with some analysts anticipating 25-bps cuts in November and December of 2024. In August, non-farm payroll created 142,000 new jobs, below the consensus of 165,000 jobs, lowering the unemployment rate to 4.2%. Job growth was fueled by gains in the private sector service industry with contributions from leisure, education, and health services industries, partly offset by a 24,000 decline in manufacturing jobs. Despite a lower unemployment rate, July and June saw downward revisions of 25,000 and 61,000 jobs, respectively. The August labor print saw an uptick in discouraged and part-time workers to 7.9%, the highest level since October 2021. Inflation continued to moderate in August, with the consumer price index (CPI) falling to its lowest level since February 2021 to 2.5%, slightly cooler than the expected 2.6%. Core CPI, ex-food and energy at 0.3% was hotter than expected due to lower energy cost.

Key Thought

Central bank policy adjustments by the Federal Reserve and People's Bank of China were the most noteworthy events over the last few weeks. The moves are intended to support growth in the world's two largest and most dynamic economies. Investors largely expected both announcements, but the size of the policy changes was more significant than expected. The Federal Reserve's oversized 50-basis point adjustment jump-started the rate-cutting cycle and is designed to get interest rates closer to the neutral rate quickly. The short-term neutral rate is probably 150 bps below the current Fed funds rate, so the Fed has more work to do before monetary policy impacts the economy meaningfully. The Fed hopes to reinvigorate interest-sensitive segments of the economy before the labor market and consumer consumption deteriorate. The Fed's move lifted equity markets, erasing the losses in early September. The People's Bank of China cut medium-term loan rates, and the minimum capital banks must hold in reserve, among other moves to promote economic growth. Lowering the reserve requirement effectively increases the money supply, which will be immediately stimulative. Banks will have more capital to lend. The various stimulus packages, including equity market support, sparked a powerful rally in Chinese equities, with the CSI 300 notching the biggest weekly advance since 2008. The Chinese economy has faced persistent deflationary pressures this year, and Chinese consumer consumption has been lackluster. Regaining and reviving consumer confidence in both countries will be important for global economic growth.

9/27/2024	Wk	Wk	YTD	12 Mos
	Close	Net Change	Div Yield	% Change
STOCKS				
DJIA	42,313.00	249.64	0.59	1.86
S&P 500	5,738.17	35.62	0.62	1.35
NASDAQ	18,119.59	171.27	0.95	0.77
S&P MidCap 400	3,119.24	15.92	0.51	1.55
EAFE	83.92	1.66	2.02	3.27
Emerging Market	58.22	3.32	6.05	2.82

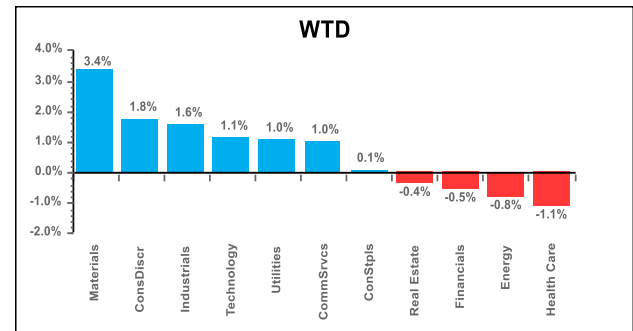
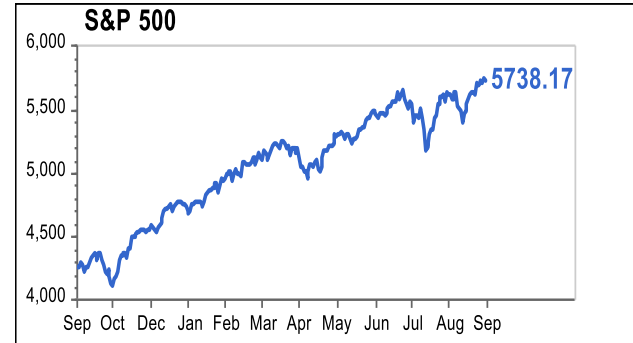
TREASURIES	Yield	FOREX	Price	Change
1-Year	3.95	EUR/USD	1.12	0.32
2-Year	3.56	USD/JPY	142.87	-1.08
5-Year	3.50	GBP/USD	1.34	0.96
10-Year	3.75	USD/CAD	1.35	-0.67
30-Year	4.10			

Source: FactSet

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	887.00	0.79	0.1%	0.5%	8.2%	16.4%
Health Care	1,785.58	-20.32	(1.1%)	(2.4%)	5.0%	12.3%
CommServices	312.12	3.14	1.0%	3.7%	0.6%	26.9%
Eco Sensitive						
Consumer Disc	1,609.92	27.70	1.8%	7.3%	7.9%	13.5%
Energy	670.92	-5.58	(0.8%)	(3.6%)	(3.9%)	4.8%
Industrials	1,141.58	17.48	1.6%	2.8%	10.6%	18.3%
Info Tech	4,378.48	49.08	1.1%	1.9%	0.9%	28.9%
Materials	611.36	19.99	3.4%	3.0%	9.9%	13.3%

Interest Rate Sensitive	Close	Wk Net Change	WTD	MTD	QTD	YTD
Financials	751.79	-4.02	(0.5%)	(1.0%)	9.9%	20.0%
Utilities	408.55	4.18	1.0%	6.0%	18.0%	26.9%
REIT	277.82	-1.04	(0.4%)	1.8%	15.0%	10.7%

COMING UP NEXT WEEK		Consensus	Prior
09/30 Chicago PMI SA	(Sep)	45.3	46.1
10/01 Markit PMI Manufacturing SA (Final)	(Sep)	47.5	47.0
10/01 ISM Manufacturing SA	(Sep)	47.5	47.2
10/02 ADP Employment Survey SA	(Sep)	125.0K	99.0K
10/03 Markit PMI Services SA (Final)	(Sep)	53.7	55.4
10/03 Factory Orders SA M/M	(Aug)	0.25%	5.0%
10/03 ISM Services PMI SA	(Sep)	51.8	51.5
10/04 Hourly Earnings Y/Y (Preliminary)	(Sep)	3.8%	3.8%
10/04 Nonfarm Payrolls SA	(Sep)	145.0K	142.0K
10/04 Unemployment Rate	(Sep)	4.2%	4.2%



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	0.89%	0.61%	0.31%	16.14%	20.51%	23.73%	
Medium	1.15%	0.98%	0.62%	14.74%	14.31%	12.62%	
Small	-0.41%	-0.22%	-0.02%	8.54%	10.74%	12.89%	