



MONTH ENDING OCTOBER 31, 2024

Market Update

Quick Hits

1. Stocks Slide in October

A late-month sell-off led to a down month for stocks.

2. Bonds Fall in October

Rising interest rates caused bonds to fall during the month.

3. Surprisingly Resilient Economic Growth

The economic updates released in October showed signs of economic resiliency.

4. Risks to Monitor

Markets face a variety of risks as we head to the end of the year.

5. Positive Outlook Ahead

The most likely path forward is for continued market appreciation and economic growth.

Stocks Slide in October

It was a disappointing month for stocks in October as a late-month sell-off caused all three major U.S. indices to end the month in the red. The S&P 500 lost 0.91 percent in October while the Nasdaq Composite dropped 0.49 percent. The Dow Jones Industrial Average lagged its peers and dropped 1.26 percent to start the fourth quarter. Concerns about future growth prospects for large technology companies served as a headwind for stocks during the month.

Despite the poor results in October, we saw improving fundamentals to start earnings season. Per Bloomberg Intelligence, as of October 31, with roughly two thirds of companies having reported actual earnings, the average earnings growth rate for the S&P 500 in the third quarter was 7.4 percent. This is well above analyst estimates at the start of earnings season for a more modest 4.2 percent increase. Since fundamentals ultimately drive long-term market performance, this was an encouraging development for investors.

Technical factors were supportive as well for U.S. stocks. All three major indices spent the entire month well above their respective 200-day moving averages. (The 200-day moving average is a widely tracked technical signal, as prolonged breaks above or below this level can indicate shifting investor sentiment for an index.) All three of these indices have spent the entire year above their respective trendlines, indicating continued investor support for U.S. stocks.

International stocks were hit even harder during the month. The MSCI EAFE Index fell 5.44 percent in October while the MSCI Emerging Markets Index dropped 4.32 percent. Technical factors were mixed for international stocks. The MSCI EAFE Index ended the month below its 200-day moving average, marking the first time the index has ended a month below trend in more than a year. The MSCI Emerging Markets Index, on the other hand, remained well above its trendline throughout the month.

Bonds Fall in October

The streak of positive months for bond investors ended in October, as rising interest rates hit bond prices. The 10-year Treasury rate rose from 3.81 percent at the end of September to 4.28 percent by the end of October. The Bloomberg Aggregate Bond Index lost 2.48 percent for the month.

**Bloomberg Aggregate
Bond Index**

↓ **2.48%**
In the month of October

**Bloomberg U.S. Corporate
High-Yield Index**

↓ **0.54%**
In the month of October

High-yield fixed income also had a challenging month. The Bloomberg U.S. Corporate High-Yield Index lost 0.54 percent in October. High-yield credit spreads compressed from 3.07 percent at the start of the month to 2.88 percent at month-end. Tighter credit spreads indicate increased investor appetite for high-yield investments.

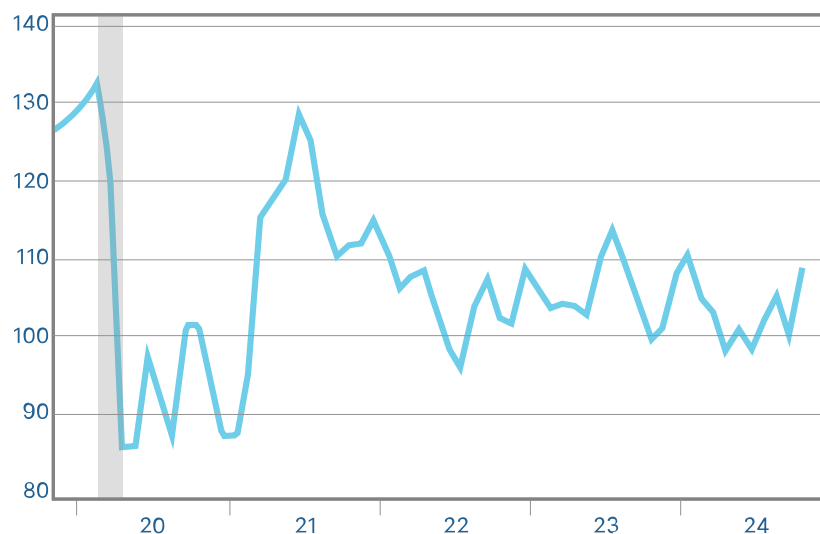
The rise in interest rates during the month were due in part to a pullback in trader expectations for interest rate cuts. We entered the month with futures markets pricing in roughly three 25-basis-point cuts by the end of the year. We ended the month with traders pricing in one to two additional cuts by year-end, which contributed to the rise in rates that we saw in October.



Surprisingly Resilient Economic Growth

The pullback in rate-cut expectations was due in large part to surprisingly strong economic data releases in October. A robust 223,000 jobs were added in September. While hiring slowed dramatically in October, this was

Figure 1: Conference Board Consumer Confidence November 2019–Present



Source: The Conference Board/Haver Analytics, as of October 29, 2024.

largely due to temporary factors: two major hurricanes and a strike at Boeing. Despite the slowdown in hiring in October, the labor market remains in healthy territory and the unemployment rate stayed stable at 4.1 percent.

This solid job market contributed to a notable rise in consumer confidence at month-end. As shown in Figure 1, the Conference Board Consumer Confidence index rose to a nine-month high in October. This better-than-expected result was due to improving consumer views on both current economic conditions and future expectations. Encouragingly, the future expectations subindex rose to a nearly three-year high in October. Historically, higher levels of consumer confidence have supported faster consumer spending growth, so this was a good sign for the health of the overall economy.

Speaking of consumer spending, the updates in October showed signs of continued spending growth. September's retail sales and personal spending reports both showed better-than-expected growth during the month. This now marks 18 consecutive months with increasing personal spending. Given that consumer spending accounts for the majority of economic activity in the U.S., its continued resilience is another encouraging signal that the economy remains on solid footing as we head to the end of the year.

Risks to Monitor

While the economic backdrop and market fundamentals remain supportive, there are real risks for investors to monitor in the months ahead. Domestically, the most pressing risk is political, as the uncertainty surrounding the November elections may contribute to some short-term volatility toward year-end.

The primary concern is the potential for notably slower growth ahead. While this is not the base case at this time, a potential slowdown in economic activity heading into 2025 would likely rattle markets at the start of the year. Given the recent slowdown in hiring in October, the labor market will be key to monitor in the months ahead.

Foreign risks also remain that should be acknowledged. The ongoing wars in Ukraine and the Middle East continue to serve as sources of geopolitical uncertainty. The slowdown in China and the Chinese government's attempts to stimulate its economy and markets have the potential to impact global investors. While the direct market effect from these foreign risks has largely been muted in the U.S., there's a lot going on internationally that we should continue to keep an eye on.

>> The Takeaway

- Political risks and the potential for further economic slowdown remain top of mind.
 - International risks should be acknowledged as well.
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Positive Outlook Ahead

Despite the decline in October, market and economic fundamentals remain healthy. While down months can be challenging for investors, it's important to remember that volatility is a regular part of investing and that the long-term drivers of performance remain sound. Companies continue to show signs of solid earnings growth while the recent economic updates have been encouraging. And although interest rates rose during the month, expectations are for this headwind to transition into a tailwind as we head into 2025.

While there are still certainly risks that investors should monitor, on the whole, the long-term outlook is positive given the solid fundamentals and strong economy. With that being said, October served as a reminder that we may face short-term setbacks along the way. A well-diversified portfolio that matches investor goals and timelines remains the best path forward for most. As always, if concerns remain, you should speak to your financial advisor to review your financial plans.





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and convertible debentures. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. It excludes closed markets and those shares in otherwise free markets that are not purchasable by foreigners. The Bloomberg Aggregate Bond Index is an unmanaged market value-weighted index representing securities that are SEC-registered, taxable, and dollar-denominated. It covers the U.S. investment-grade fixed-rate bond market, with index components for a combination of the Bloomberg government and corporate securities, mortgage-backed pass-through securities, and asset-backed securities. The Bloomberg U.S. Corporate High Yield Index covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba/BB+/BB+ or below. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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