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Wealth Management

Market Summary 3rd Quarter 2024: It was a roller coaster ride during the third quarter, as fears of a recession and the unwind of the Yen-carry trade caused a brutal selloff in early August. But the market quickly reversed and managed to make new all time highs by the end of the quarter when the Fed signaled its intent to start easing monetary policy. Even with the large volatility, the big story in stocks was the major rotation in sector performance as investors shifted away from the six behemoth AI related stocks and into many beaten down sectors. Specifically, Large Value and Mid Cap stocks for once, significantly trounced the performance of Mega Large Caps. This shift is due to the expectation that lower interest rates will benefit other areas of the economy. Meanwhile, the Bond market also experienced dramatic moves in both the magnitude of rates dropping and the change in the slope of the yield curve. Two year Treasury yields dropped over 100 bps while the 10yr Treasury dropped over 70 bps. And finally, after 26 months of inversion, the yield curve has returned to a positive slope (short rates are lower than long term rates) with the market expecting aggressive moves by the Federal Reserve in the months to follow. For now, at least here in the US, the new 'dovish Fed stance' has created a more friendly environment for all risk assets.

Index Returns:	**QTD**	**YTD**		**QTD**	**YTD**		**QTD**	**YTD**
US Blend Equity (Equal Weight)	9.48%	14.91%	U.S. Growth	3.42%	25.97%	U.S. Short Bond	3.49%	4.43%
Foreign Developed	7.19%	13.12%	U.S. Value	9.08%	16.57%	Intermediate Aggregate Bond	5.30%	4.45%
Emerging Equity	7.68%	14.84%	Small Blend	9.25%	11.02%	High Yield Bond	5.70%	8.09%

Market Outlook: While the upcoming U.S. election and elevated geopolitical tensions continue to loom over the current expansion, a dovish monetary policy should provide a floor for the markets. Economic growth is expected to continue, albeit modestly at about 2%, and the rate of inflation is now comfortably below 3%. Barring some external shock, the market's focus will be on the trend of earnings growth. For 2024, earnings are expected to be +10% and then increase to +15% growth in 2025, despite no change in GDP growth. This acceleration in expected earnings is ambitious and leaves the market vulnerable to disappointment. The big bet is that AI will be the engine for significant increases in productivity and therefore growth (at least in earnings). No doubt, AI will profoundly change how the world functions, but what is far less certain is how it will impact the bottom line.