

Thoughts from the Holy City – October 2024

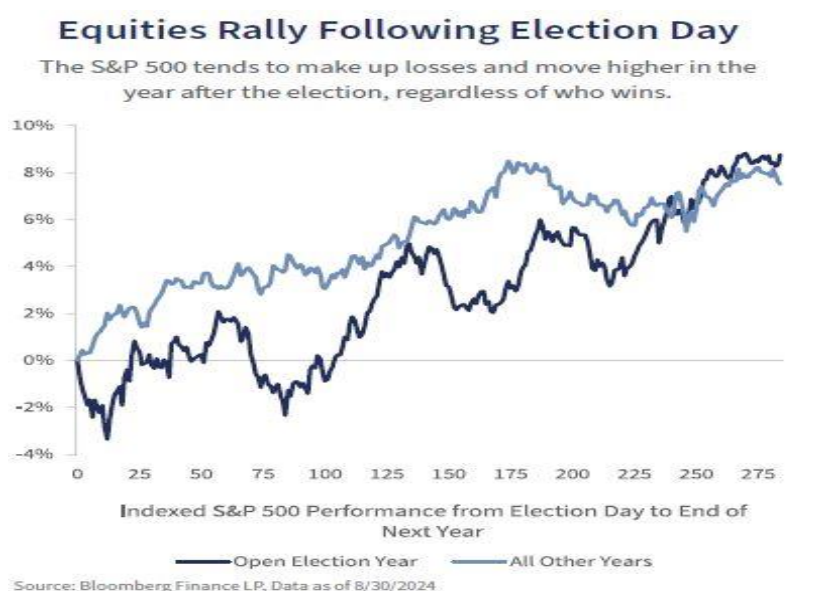
Change is the law of life. And those who look only to the past or present are certain to miss the future.

~ John F. Kennedy

As we enter the final quarter of 2024 there is much anticipation on the Presidential election that will be taking place in less than 30 days. September is typically the weakest month for stocks, but on the heels of the Fed's much anticipated rate cut, the markets climbed higher with the S&P 500 marking its 43rd record high of the year. The Fed is finally recalibrating policy, and we will most likely see several rate cuts over the coming months as it gets closer to neutral.

Although there remains quite a bit of uncertainty around the election, the markets and economy are showing signs of resilience with strong consumer spending and a robust labor market. The unemployment rate remains near historic lows, inflation continues to come down, and wage growth is outpacing inflation. The S&P 500 is up 20.81% year to date, the DJIA +12.31%, and the NASDAQ positive by 21.17%. International markets as measured by the MSCI EAFE are up 9.22% and the Bloomberg Aggregate Bond Index is up 4.68%. The returns in the market in 2023 were very concentrated driven mainly by 7 stocks, but we have seen the market broaden out as other stocks are participating in the move higher. This, coupled with the other positives data points is positive for stocks and the economy.

Historically there is an increase in volatility leading up to elections and I would expect that to be the case with this election. We typically see weakness when there is the greatest amount of uncertainty around, especially with the potential for a sweep by either political party. On a positive note, the first year of a new presidential term typically sees positive market returns, regardless of which party wins.

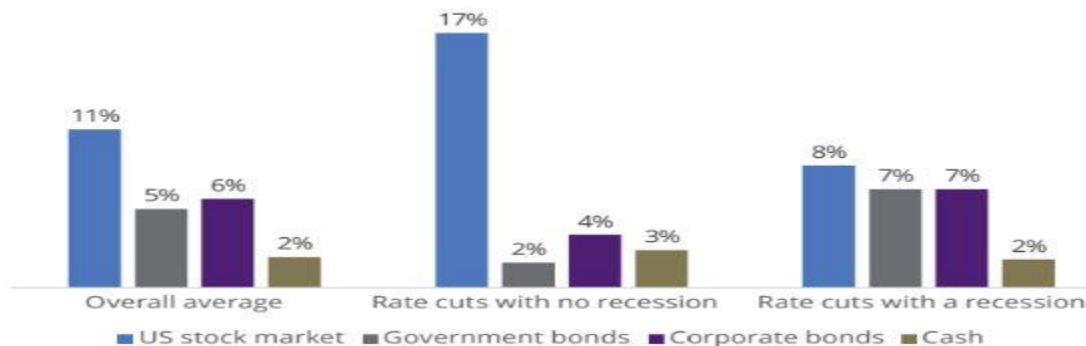


An Objective and Pragmatic Approach to Wealth Management



It is no secret that investors have been flocking to cash with nearly \$6.46 trillion in money markets earning approximately 5% or more. However, as the Fed continues to cut rates, those money market rates will follow suit. It is not prudent to have a significant amount of one's portfolio in cash and cash alternatives especially, given the fact that stocks have typically performed well during rate cut cycles. It is more important to take a long-term perspective and invest according to your plan and an allocation that you are comfortable with and will help you reach your goals.

Stocks Have Outperformed Bonds and Cash During Rate Cuts, on Average
Average 12-month Real Returns from the Date of First Federal Reserve Rate Cut



As of May 1928–December 2023. Source for Fed Funds data: Post-1954 is direct from Federal Reserve Economic Data (FRED). Earlier data is based on the Federal Funds rate published in the New York Tribune and Wall Street Journal, also sourced from FRED.

We are all subject to the 24/7 blast of negative facts, opinions, data, information, and journalism. It can be easy to get caught up in it all. Humans are emotional and human nature is not a great investor. There will always be shocks that one can't predict – 9/11, the Global Financial Crisis, Covid, etc. – and historically these shocks have panicked investors and the markets. We know that on average the market has declined an average of 15% per year. We know that one in five years since WWII it has declined almost twice that. Finally, the market has declined by half three times in the last 50 years. However, markets have *always* recovered, and have compounded at approximately 10.7% since 1973. Sometimes it may seem as though things are completely out of sync, and we are wired to run for the fences and liquidate at the worst possible time. So as we look to the last quarter of the year and beyond, remember that declines are inevitable, healthy, and it is temporary.

Be Well,

Grier

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Financial Advisor

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The S&P 500 is an unmanaged index of 500 widely held stocks. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. An investment cannot be made in these indexes. It is not possible to invest directly in an index. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. Holding stocks for the long-term does not insure a profitable outcome. This is not a recommendation to purchase or sell the stocks of the companies mentioned. Dividends are not guaranteed and must be authorized by the company's board of directors.

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