

Key Takeaways:

- Inflation continues to ease towards Fed's target.
- Labor market is still teetering as job gains get reversed lower.
- Equity performance beginning to broaden out.
- Yield curve uninverts for the first time since August 2022.
- Gold pushes commodity index higher.

3Q24 Recap – Performance Broadens Out as Fed Cuts Rates

The U.S. economy continued to slow in 3Q24 which forced the Fed to cut interest rates for the first time since 2020. However, global equity markets remained resilient in the face of macroeconomic uncertainty and higher volatility. With one trading day left, volatility as measured by the VIX Index has surged at the fastest pace since 2Q22. Bond yields have plummeted (prices rose) during the quarter and the yield curve (2YR Treasury Yield – 10YR Treasury Yield) uninverted for the first time since 2022. In this weekly insights, we provide a recap of the quarter thus far from an economic and asset class perspective.

- **Inflation easing toward Fed's target:** The Fed's preferred inflation gauge, PCE Core, increased at a 2.1% three-month annualized basis, approaching the Fed's 2.0% target. The Consumer Price Index rose at the slowest annualized pace since February 2021 (2.5%).
- **Manufacturing remains under pressure:** The ISM Manufacturing Index has been in contraction territory (a reading below 50) for 21 out of the past 22 months.

However, the prices paid component increased for two consecutive months.

- **Labor market is still teetering:** The U.S. economy added fewer jobs than expected in August and the prior two months of job gains were revised lower by 86K. While the unemployment rate fell slightly (4.2% vs. 4.3%), this was due to a reversal of temporary layoffs.
- **Housing market confidence builds with lower rates:** Interest rates on a 30YR fixed-rate mortgage fell almost 100bps during 3Q24 to 6.1%. This helped home builder confidence, which increased in September for the first time in six months. However, existing sales were weak.

Global Equities - Performance broadens beyond tech trade: The MSCI AC World Index is on pace to rise for the fourth straight quarter in 3Q24 as optimism about rate cuts overshadowed weak economic data. The rally also broadened out from U.S. technology with the MSCI AC World Index ex US outperforming the Nasdaq by over 6%.

- **Value sectors back in the spotlight:** The Russell 3000 Value Index is outperforming its growth counterpart by almost 300 bps.
- **"Magnificent Seven" lag:** Four of the seven stocks are lower for the quarter (Microsoft, Amazon, NVDA, Alphabet). NVDA is on pace to post its first quarterly loss since 4Q22.

Fixed Income - Yields falling: The Bloomberg Aggregate Index is on pace to rally for the second straight quarter and post its best quarter this year on Fed rate cuts.

- **Yield curve returns to normal:** The yield curve (2YR Treasury – 10YR Treasury) uninverted in September for the first time since August 2022.
 - **All fixed income sectors higher:** All sectors are higher for the quarter led by long term Treasuries and investment grade debt.
- Commodities:** The Bloomberg Commodity Index was higher for the third straight quarter.
- **Metals lead:** Precious metals, led by gold, drove the Index higher for the quarter. Gold benefitted from Fed rate cuts.

Weekly Economic Recap –

Fed's Preferred Inflation Gauge Approaches Target Level

US business activity expanded at a slightly slower pace in early September according to the S&P Global Flash PMI reading. The output index fell to a nearly two-year low on growing concerns about the outlook for demand. The manufacturing index fell to the lowest level since 2023. Factory employment fell at the fastest pace in more than four years.

Home price gains slowed in July according to the S&P Case-Shiller Index. Prices grew 0.3% (MoM) which is the slowest increase since January 2024.

Sales of new homes in the US fell in August, a month after rising at the fastest pace since early 2022. Buyers remain patient amid declining mortgage rates. The decline was led by the northeast and the west. The south was the only region to see sales increase.

Consumer confidence as tracked by the Conference Board posted its largest decline since August 2021. The diffusion index fell to 98.7 from 105.6 the prior month as consumers' fears about the labor market and business conditions increased.

The Fed's preferred inflation gauge, PCE Core, increased at the slowest pace in three months (0.1%). The headline reading increased at an annualized rate of 2.2%, less than the July reading of 2.5%. Housing related costs remained stubborn, increasing at the fastest monthly pace since January (0.5%).

Key Takeaways:

- Home price gains slow in July.
- Consumer confidence posts largest decline since Aug '21.
- Fed's preferred inflation gauge continues to ease.
- Chinese equities surge after stimulus package announcement.
- Long term bond yields rise; prices lower.
- Hurricane Helene causes natural gas prices to surge.

Weekly Market Recap –

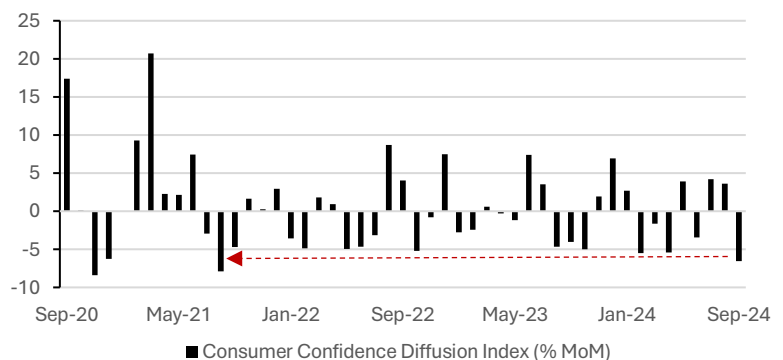
China Equities Lead Global Markets Higher

Equities: The MSCI AC World Index was higher for the third straight week. The gains were led by the emerging markets, specifically China as the central bank announced a stimulus package designed to get the economy out of its deflationary trend. Within the U.S. the Russell 1000 Value Index outperformed the Russell 1000 Growth Index. The Nasdaq and midcap equities also jumped while small cap equities declined.

Fixed Income: The Bloomberg Barclays Aggregate was modestly lower for the second consecutive week. Investment grade credit and long term Treasuries led the weakness. Emerging market debt (in USD), high yield and municipal bonds were higher for the week.

Commodities/FX: The Bloomberg Commodity Index was higher for the third straight week. Natural gas prices posted their best weekly performance since June as Hurricane Helene caused producers to cut production and knocked out power to millions. Crude oil prices fell for the first time in three weeks on reports Saudi Arabia will increase production.

Consumer Confidence Falls by Most since Aug. '21



Footnotes: Data is as of September 2024.

Data Source: FactSet Research Systems, Verdenance Capital Advisors.

Global Equities Surge on China Stimulus

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	42,313	0.6%	2.8%	8.6%	28.6%	13.9%	MSCI AC World (USD)	853	1.9%	2.8%	6.5%	32.6%	18.8%		
S&P 500	5,738	0.6%	2.1%	5.0%	36.2%	21.6%	MSCI EAFE (USD)	2,507	3.8%	2.9%	9.0%	27.7%	14.7%		
Russell 1000 Growth	3,763	0.4%	2.1%	2.0%	42.5%	23.9%	MSCI Europe ex UK (USD)	2,793	3.4%	2.1%	7.3%	29.4%	13.3%		
Russell 1000 Value	1,865	0.9%	2.3%	9.3%	27.4%	16.3%	MSCI Japan (USD)	4,252	6.0%	4.0%	10.7%	24.8%	17.0%		
Russell Midcap	3,521	1.0%	2.7%	9.2%	29.9%	14.5%	MSCI UK (USD)	1,326	2.1%	0.9%	8.7%	25.6%	16.5%		
Russell 2000	2,225	-0.1%	1.1%	9.5%	26.9%	10.8%	MSCI EM (USD)	1,175	6.2%	7.0%	9.5%	27.1%	17.2%		
Nasdaq	18,120	1.0%	2.1%	1.6%	39.5%	21.4%	MSCI Asia ex Japan (USD)	762	7.1%	8.7%	10.8%	29.4%	21.1%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.2%	0.0%	1.1%	5.0%	12.1%	4.7%	Bloomberg Commodity Index	239	2.2%	3.6%	0.2%	0.0%	5.7%		
U.S. Govt/Credit	4.1%	0.0%	1.1%	4.9%	11.8%	4.6%	Crude Oil (USD/bbl)	\$68.3	-2.9%	-5.2%	-13.2%	-22.5%	-3.3%		
U.S. 10 Year Treasury	3.8%	-0.1%	1.0%	5.4%	11.4%	3.9%	Gold (\$/oz)	\$2,658.2	0.4%	5.4%	13.4%	42.7%	27.9%		
U.S. TIPS (1-10YR)	3.7%	0.0%	1.1%	3.5%	9.4%	5.0%	Copper	\$460.0	6.9%	10.6%	4.4%	22.7%	17.9%		
U.S. High Yield	7.0%	0.1%	1.6%	5.3%	16.0%	8.0%	Wheat	\$580.0	0.2%	5.8%	-2.2%	-9.9%	-12.7%		
EM Bonds (USD)	6.3%	0.1%	1.7%	5.5%	16.7%	8.1%	U.S. Dollar	100	-0.5%	-1.3%	-5.2%	-5.5%	-1.0%		
Municipal Bonds	3.3%	0.1%	0.9%	2.7%	10.0%	2.2%	VIX Index	17.0	5.0%	9.9%	38.6%	-6.9%	36.2%		

Footnotes: Data is as of September 29, 2024.

Data Source: Bloomberg Finance LP, Verdenance Capital Advisors.

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