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Market Update

(all values as of 09.30.2024)

Stock Indices:

Dow Jones	42,330
S&P 500	5,762
Nasdaq	18,189

Bond Sector Yields:

2 Yr Treasury	3.66%
10 Yr Treasury	3.81%
10 Yr Municipal	2.63%
High Yield	6.66%

YTD Market Returns:

Dow Jones	12.31%
S&P 500	20.81%
Nasdaq	21.17%
MSCI-EAFE	12.90%
MSCI-Europe	12.10%
MSCI-Pacific	13.80%
MSCI-Emg Mkt	16.80%
US Agg Bond	4.44%
US Corp Bond	5.32%
US Gov't Bond	4.39%

Commodity Prices:

Gold	2,657
Silver	31.48
Oil (WTI)	68.27

Currencies:

Dollar / Euro	1.11
Dollar / Pound	1.33
Yen / Dollar	142.21
Canadian /Dollar	0.73

Macro Overview

Uncertainty among global markets rose as conflict in the Middle East elevated tensions and roiled energy markets. Oil and fuel prices spiked as the threat of supply constraints and the disruption of shipping routes imposed duress on an already fragile environment.

The aftermath of Hurricane Helene is estimated to result in roughly $34 billion in losses, after dumping a staggering 42 trillion gallons of rainfall and becoming one of the most destructive hurricanes on record. The massive destruction of homes, businesses and coastal areas is expected to possibly take years to repair and revitalize. The Federal Emergency Management Agency (FEMA) which has already been stretched thin by record-setting wildfires and other extreme weather events, has warned that the agency doesn't have enough funding to make it through the 2024 hurricane season.

The port workers strike affected every port and major maritime trade gateway from Boston to Houston, where billions of dollars of imported and exported products flow. Economists believe that the damage from the supply-chain disruption may be widespread, especially hindering the nation's retail sector. Union workers voted on postponing the strike and resuming work until January 15th, in order to allow for negotiations between employers and the International Longshoremen's Association union.

A price war has emerged among restaurants and the fast-food industry for increasingly cost-conscious consumers, announcing promotions on popular menu items in order to help increase sales. Consumers have been cutting back and have been evading pricy restaurants and food items as budgets tighten up. The results of increasing promotional activity and cost-conscious consumers are considered to be deflationary.

The Federal Reserve reduced its key rate, the Fed Funds Rate, by half of a percent or 50 bps to 4.75% – 5.00%, from 5.25% – 5.50%. It was the first rate cut by the Fed since March 2020, during the onset of the pandemic. The Fed made it clear that it was not easing rates because of a crisis as it did in 2020, but rather to counter growing weakness in the labor market.

The initial rate cut by the Fed received a lukewarm response by domestic and international equity markets, as the Fed announced that rate cuts such as the initial reduction should not be expected to continue at generous as it was. The Fed's reduction immediately affected consumer interest rates from mortgages to auto loans. The Fed can only control short term rates, while the fixed income market dictates intermediate, and long term maturities. Mortgage rates fell to their lowest levels in over a year in September.

Insurance premiums are expected to rise even further in the wake of the damage caused by Hurricane Helene, prompting some homeowners to sell or relocate because of unaffordable insurance. The insurance industry is on edge as rising claims progress as a result of the unpredictable hurricane season.

The tremendous demand for energy driven by Artificial Intelligence (A.I.) has for the first time in decades, garnered support to reopen and expand existing nuclear facilities, including the infamous Three Mile Island nuclear plant in Pennsylvania. (Sources: Federal Reserve, Treasury Dept., FEMA, Bloomberg, Dept. of Energy)

Stocks Remain Resilient In September – Domestic Equity Overview

Domestic equity indices bounced upward in September, defying notions that the month has been a historically dire month for stocks. The Fed's greater than expected rate cut prompted a rise in equities for small, mid and large capitalized companies, which saw their borrowing costs decline. The Dow Jones Industrial Index, the S&P 500 Index, and the Nasdaq Index all posted advances for the month of September.

The Securities & Exchange Commission (SEC) approved the pricing of stocks and ETFs traded on exchanges to be quoted in half-penny increments. The change allows for enhanced efficiency of pricing actively traded stocks and ETFs, which currently trade an average of 5 to 6 billion shares per day. (Sources: Securities & Exchange Commission, Dow Jones, S&P, Nasdaq)

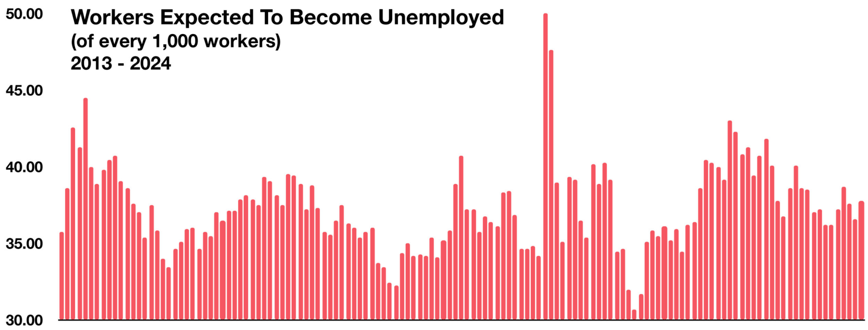
Rates Hesitate To Fall Further – Fixed Income Overview

Bonds reacted cautiously to the Fed's initial rate reduction, anticipating that the Fed may not reduce rates as quickly as hoped. The yield on the 10-year Treasury ended September at 3.81%, not much lower than where it ended the previous month at 3.91%. Yet numerous analysts ad economists believe that growing uncertainty surrounding the economy, hurricane losses, the Middle East conflict, and the election may lead to a gradually evolving lower rate environment.

The Fed signaled that it may move slower with future rate reductions should the employment market and inflation continue to expand. Recent developments such as the effects of the port strike and aftermath of Hurricane Helene, may impose new challenges and duress for hundreds of thousands of individuals and businesses directly affected by the storm, as well as indirectly affecting millions across the country, as disrupted supply chains may cause price changes. (Sources: Treasury Dept., Federal Reserve)

More Workers Think That They'll Be Unemployed – Labor Market Update

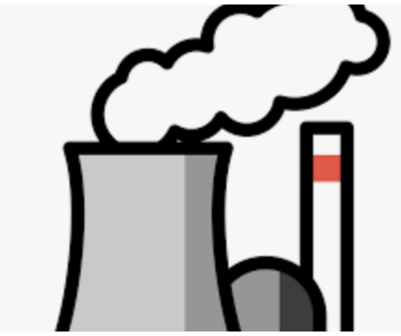
Primary objectives of the Federal Reserve include securing the value of the dollar by ways of countering inflation, and maintaining a healthy and robust labor market by encouraging employers to hire and workers to find favorable positions. Workers' expectations of what their job prospects might be in the future is closely tracked by the Fed and economists. Such data gives the Fed insight as to where the labor market might be headed. The most recent data released reveals that a growing number of workers expect to become unemployed in the next few months, a record high since 2014.



The recent data also identifies that more workers are becoming unhappy with their current jobs and transitioning more frequently between jobs. More workers nearing retirement are also inclined to work longer and foregoing retirement until later years. Economists and the Fed believe that lingering inflationary pressures have imposed additional burdens on employees requiring them to work longer due to heightened living costs. (Source: Federal Reserve)

Nuclear Power Generation Expected To Increase As A.I. Requires More Energy – Energy Industry Overview

The tremendous onset of Artificial Intelligence (A.I.) has brought about an enormous increase in the demand for energy. A.I. encompasses a multitude of numerous electronic components that consume enormous amounts of electricity as well as generating vast amounts of heat. Expanded use of air conditioners and temperature controlling equipment is also consuming energy past levels seen in the past.



Natural gas powered stations as well as nuclear fueled generation facilities are becoming the most viable sources of energy to meet the rapid expansion of A.I.

The infamous Three Mile Island nuclear reactor in Pennsylvania, is scheduled to reopen in 2028 under a 20 year contract to power new and expanding data centers involved with the expansion of A.I. Numerous other facilities across the country are also undergoing upgrades and expansions in preparation for increased power demand and for growing revenues.

Sources: Dept. of Energy, Office of Nuclear Energy

The Fed Has Been Raising & Lowering Rates For Years – Fed Funds Rate History

The Federal Reserve attempts to address inflation and the employment market via increasing and decreasing short term rates via the Fed Funds, yet long term rates are established and set by the enormous fixed income market, which essentially determines nearly all other bond maturity prices and yields. Some analysts and economists believe that the Fed may just be transitioning back to historical Fed Fund rates in the range of 2.00% – 3.00%, which is where rates hovered before the Covid-19 outbreak.

Fed Funds Rate Changes

September 2024	4.75-5.00
July 2023	5.25-5.50
May 2023	5.00-5.25
March 2023	4.75-5.00
February 2024	4.50-4.75
December 2022	4.25-4.50
November 2022	3.75-4.00
September 2022	3.00-3.25
July 2022	2.25-2.50
June 2022	1.50-1.75
May 2022	0.75-1.00
March 2022	0.25-0.50
March 2020	0-0.25
March 2020	1.00-1.25
October 2019	1.50-1.75
September 2019	1.75-2.00
August 2019	2.00-2.25
December 2018	2.25-2.50
September 2018	2.00-2.25
June 2018	1.75-2.00
March 2018	1.50-1.75

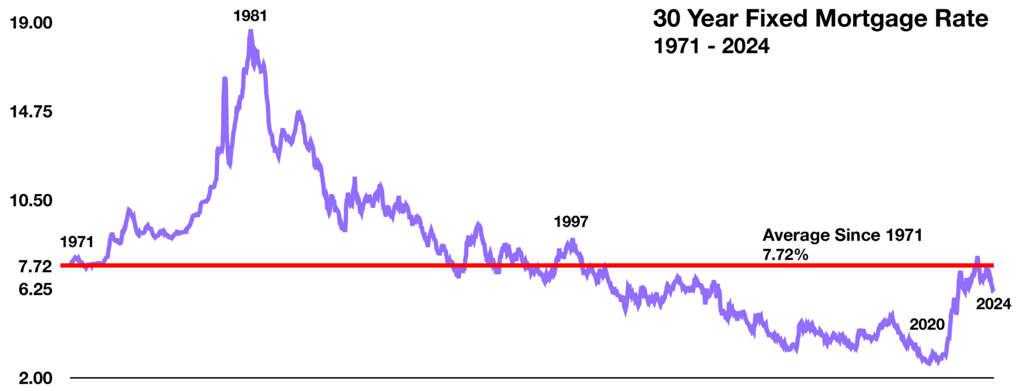
During the pandemic, the Federal Reserve shifted into crisis mode as millions of Americans weren't working, businesses shuttered, and economic growth reversed into economic contraction. The Fed Funds Rate fell from 2.00% in 2019 to 0.0% in March 2020 in order to provide critical liquidity and attainable consumer loan rates to fortify the financial system.

The rapid increase in the Fed Funds Rate during the post pandemic environment was meant to alleviate inflationary pressures and to protect the U.S. dollar from an earlier drop. The question many analysts and economists have now is, how low will the Fed take the Fed Funds Rate, and how long will it take until it finds the optimal rate range.

Source: Federal Reserve Bank of New York

Mortgage Rates Starting To Fall – Housing Market Overview

With the Federal Reserve's initial rate cut this past month, interest rates on consumer loans from automobiles to credit cards began to see a decrease as well. Significantly affecting the housing market and homebuyers across the country are mortgage rates, which fell to a 12 month low following the Fed's rate reduction in September. The average rate on a 30 year fixed mortgage fell to 6.08% at the end of September, down from 7.79% in October 2023.



Even though mortgage rates have been falling, the current home turnover rate is the lowest in 30 years, with roughly 25 of every 1000 homes being sold or bought so far this year. The lack of inventory nationwide has added to already tight supplies and limited new construction. Certain geographic regions as Florida and parts of the Southeast are starting to see a pullback in values as the cost of insurance becomes unaffordable for many homeowners.

The average 30-year fixed mortgage rate for the past 53 years is 7.72%, which is where the average rate was in the third quarter of 2023. The question everyone has is how much lower could mortgage rates fall as the Fed gradually decreases the Fed Funds Rate. Even at current levels, rates are below the 53 year average.

As mortgage rates have fluctuated over the past 53 years, so have home prices. The average home in 1971 was valued at roughy $25,000, whereas the average home price was $412,300 in the second quarter of 2024.

As rates have risen, homes have become vastly unaffordable for millions of Americans, restricting many from becoming first time homeowners or simply moving. There remains tremendous hesitation among millions of homeowners that currently have historically low mortgage rates, which would be forgone should their house was sold.

Sources: FreddieMac, https://www.redfin.com/news/home-sales-turnover-2024/, Federal Reserve