Roundtable™ *Quarterly Commentary*

Quarter Three | 2024

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Equity Markets Resiliently March Higher

Despite brief bouts of volatility in August and September, the S&P 500 roared back to once again end the quarter at an all-time high. The index has now produced over three dozen new record highs this year, which has left many U.S. investors optimistic about future market prospects. While these new highs were undoubtedly fueled by the excitement surrounding artificial intelligence (AI), the overly positive sentiment on AI seemed to moderate in Q3, with strength broadening across other areas of the equity market, including Small Caps. This broadening participation in markets has also helped ease some concerns that the markets were overweight toward tech stocks, assuaging some lingering fears of a tech bubble. On the fixed income side, Treasury yields declined in anticipation of rate cuts, providing positive returns for bonds.

Interest Rates (Finally) Come Down

Having seen enough progress of moderating inflation, the Fed finally cut interest rates by 50 basis points (0.50%) at their meeting on September 18—a decisive move aimed at bolstering the labor market and sustaining economic growth. This rate cut aligns with a shift in focus back toward the labor side of their dual mandate of price stability and maximum employment. At this stage, upside risks to unemployment appear greater than upside risks to inflation, justifying the Fed's moves. However, economic growth has remained steadfast, and though the labor market has weakened in recent months, 4.2% unemployment is still relatively low by historical standards.

For the Rest of the Year, Expect the Unexpected

Prudent investors should anticipate increased uncertainty as we creep closer to the November 5 election and the ensuing aftermath. Furthermore, after the first interest rate cut was finally announced, the question now shifts to the pace of future rate cuts, as the Fed has indicated that further easing is likely before the end of the year. Although monetary policy is on a new path, economic data will continue to determine the magnitude—and timing—of any more rate cuts. Other factors such as a looming debt ceiling showdown, China's slowing economy, and ongoing conflicts overseas all contribute to the wall of worries, but in the long term, markets appear resilient. Our focus remains on the fundamental strength of the economy and the market as we look for opportunities from policy changes to help improve our clients' long-term financial plans.

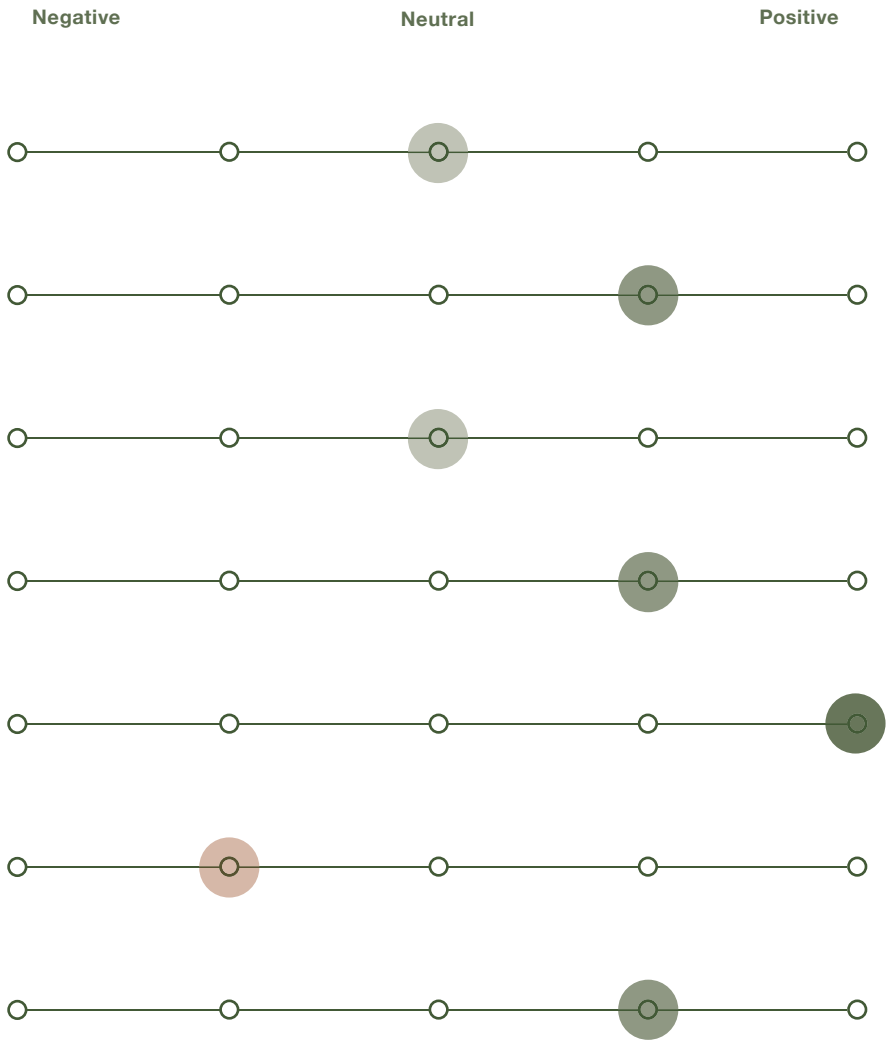
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7 Market Movers

Our Investment Management team believes that markets are generally driven by seven elements. We explore these “7 Market Movers” each quarter and explain how we see each of them influencing market activity.



Global Economic Growth

Globally, growth has slowed but remains steady. Economic growth in the U.S. continues to track toward 2.5% growth.

Interest Rates

The yield curve turned positive after nearly two years of inversion, and yields declined across the curve in anticipation of the Fed’s first rate cut.

Inflation

Inflation continues to trend toward the Fed’s 2% target, but consumers are still struggling with higher absolute price levels across goods and services.

Fiscal Policy

Government spending continues to support growth, but focus has shifted to potential changes that may be enacted once the outcome of the election is known.

Monetary Policy

The Fed cut interest rates by 0.5%, loosening monetary policy to reflect a more balanced risk between inflation and employment.

Global Macro Risk

Challenges in the Chinese economy, along with heightened risk of escalation of the war in the Middle East, have the potential to impact asset prices worldwide.

Investor Confidence

Equity markets continue to reach new highs, elevating investor optimism and raising the bar for continued momentum.

United States is represented by the S&P 500 Index, International Developed is represented by MSCI EAFE Index and Emerging Markets is represented by MSCI Emerging Markets. Alternatives include the HFRI, NAREIT, and Managed Futures Index.

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