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# Weekly Market Update October 11, 2024

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**Fed Funds 4.75% - 5.0%, US Ten Year 4.092%, Oil $75.62**

| | Close | One Week | Three Months | Year-to-Date | One Year |
|---|---|---|---|---|---|
| Dow Jones Industrial | 42,863.86 | +1.21% | +7.61% | +13.73% | +27.30% |
| Standard & Poor's 500 | 5,815.03 | +1.11% | +3.56% | +21.91% | +34.37% |
| Nasdaq Composite | 18,342.94 | +1.13% | -0.30% | +22.19% | +36.81% |
| Russell 2000 | 2,234.18 | +0.97% | +4.40% | +10.22% | +29.91% |

This week's major news release was the September inflation figures. The "headline" CPI was 2.4%, while "core" inflation, which removes the more volatile food and energy components, was 0.3% higher in September, moving the annual rate up to 3.3% after holding firm at 3.2% the previous two months. This slightly higher than expected number makes a 25 basis point cut in Fed Funds from the November meeting likely. The prevailing view is that inflation will continue its gradual decline while the economy will slow but not enter a recession.

One warning sign of a possible recession is the upturn in unemployment from the low of 3.4% in April 2023 to the current 4.1%. As shown in the chart below, over the past seventy-five years, increases in unemployment from prior low levels have often led to recessions. It may indeed be that the Federal Reserve has engineered the "soft landing," but this is something to watch going forward.

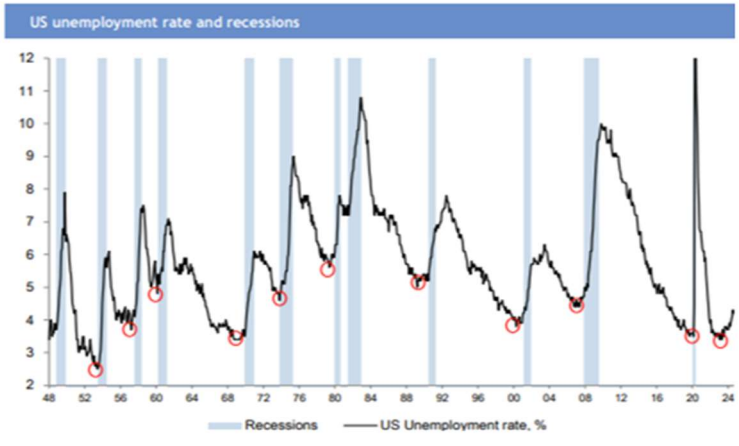



Chart JP Morgan Chase. Data Bloomberg

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While the total return of stocks as they close the year garner the headlines, often overlooked is how much stocks move *within* a year. The chart below illustrates the largest intra-year drawdown of S&P 500 stocks since 1989. Even during the years when stocks end much higher than where they began, there are opportunities to buy stocks at lower prices. The average intra-year drawdown over the past 35 years has been 14%, and twenty of those years have had drawdowns over 10%.

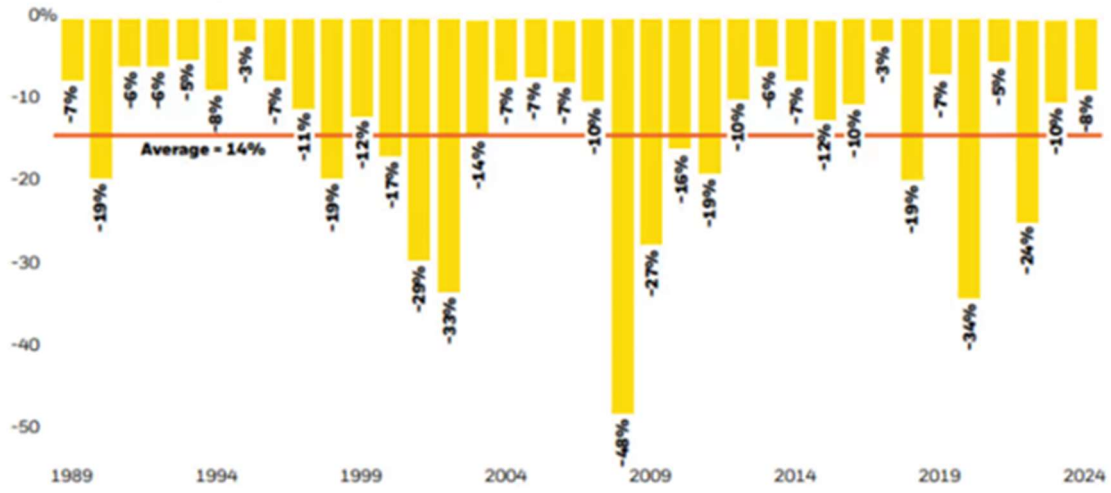



Chart Blackrock via MarketWatch. Data Bloomberg

The obvious lesson here is that stocks do not move up in a straight line. The less obvious lesson is that drawdowns are usually not the time to unload stocks into what may be panic selling, but a chance to add to the good companies you already own, and at cheaper prices.

Wishing You a Rewarding Week,

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