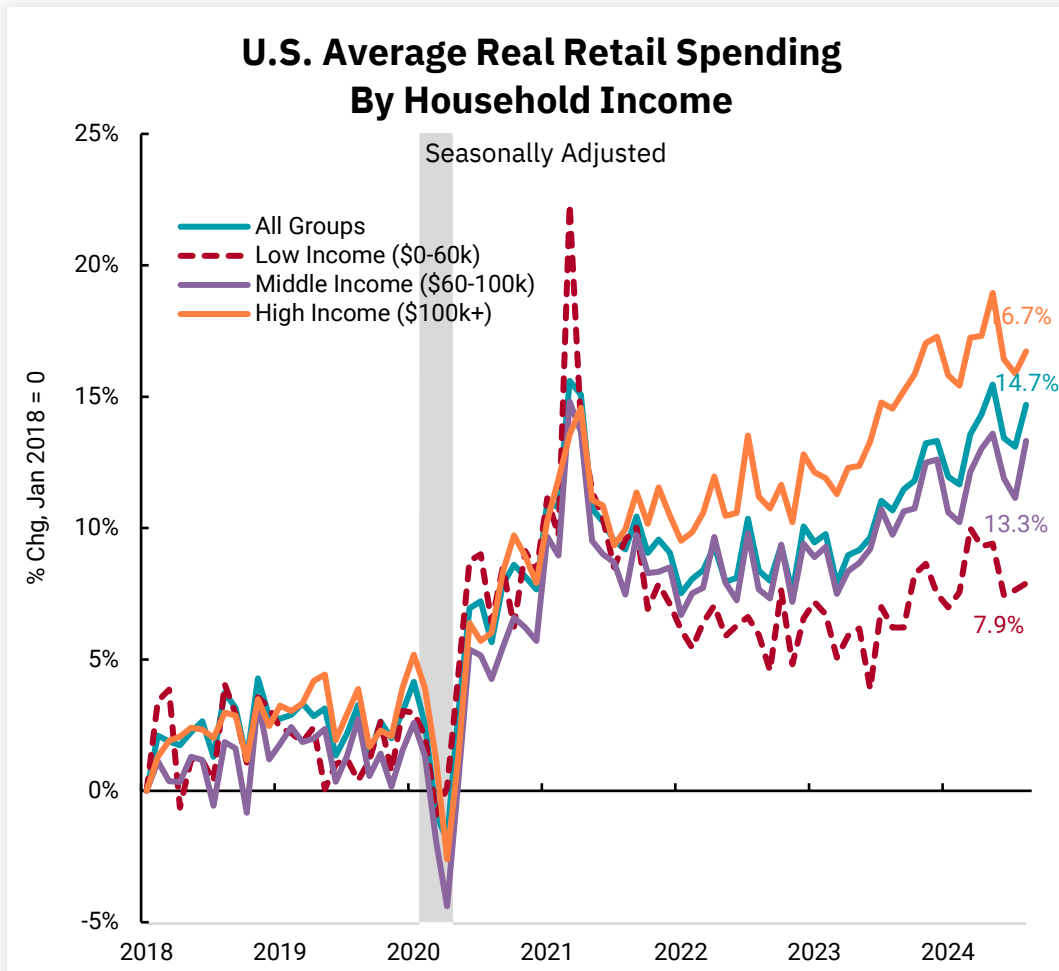


# Weekly market update



## Chart of the week (Oct. 25, 2024)



The consumer is king when it comes to the domestic economy, so investors watch U.S. consumer spending very closely. Spending from the highest earners is particularly important for the overall economy, as this group has the most financial resources of all consumers. With this in mind, this week's chart shows the average growth of inflation-adjusted retail spending in the U.S. from 2018 onward, separated into low-, middle- and high-income households.

During the Covid era, significant stimulus measures were passed to support the economy as the country faced lockdowns and a severe reduction in economic activity. Due to the influx of stimulus funds, many lower-income consumers had more spending power than they did pre-pandemic. Many of these households did not hesitate in putting those dollars to work in the economy. The dotted red line in the graph, representing lower-income consumers, peaked in early 2021 at over 20%. Spending growth for low-income households then troughed in mid-2023 and is currently showing a meager 7.9% growth rate since 2018.

On the other hand, spending from upper-income consumers has risen relatively steadily since 2018. Their inflation-adjusted retail spending grew by 16.7% over the same period, more than double the growth rate for low-income households. Essentially, wealthier Americans continue to drive the U.S. economy forward, while the temporary high in spending from Covid-era stimulus was just not able to last for lower-income households.

Wealthier U.S. households have the means to keep U.S. economic growth on stable footing. Absent an external shock to the economy or a significant downturn in the labor market, this trend seems likely to continue for now. The first look at third-quarter gross domestic product (GDP) will be released on Wednesday, where expectations are for over 3% growth. While we would like to see lower-income households be able to keep a better pace, there is enough spending from higher-income households to keep the economy afloat.

# Weekly market update



## Commentary (Oct. 25, 2024)

### Domestic Equities

- U.S. equities were generally negative for the week. Growth stocks saw gains, but value and small-cap stocks fell. Investors are exercising caution ahead of the election, despite relatively positive economic data and earnings reports.
- Macroeconomic data continues to show a “Goldilocks” narrative. Jobless claims declined, while PMI surveys remain solid with little change from last month. New home sales rose higher than expected.
- Earnings reports have been strong so far. 90% of financials have reported better-than-expected earnings, with regional banks in particular showing strength. Tesla’s report was much better than expected, lifting the stock over 20% in one day. This coming week is the busiest in earnings season, with most of the “Magnificent 7” reporting.

### Bonds

- U.S. Treasury yields continued to move higher on election uncertainty but finished the week off of the highs due to softer employment data. Volatility across the Treasury has also been rising, with the ICE BofA Move Index making a new high for the year on Wednesday.
- Spreads on agency residential mortgage-backed securities (RMBS) continued to widen, with the option-adjusted spread on the Bloomberg U.S. MBS Index closing at a four-month high.
- The Bank of Canada cut the overnight rate by 0.50% to 3.75%, with the central bank looking to stimulate growth and increase activity in the real estate sector.

### International Equities

- Foreign stocks stumbled during the week as investors grappled with weakening economic data, the trajectory of interest rate cuts across major central banks and the still-too-tight-to-call U.S. election.
- Foreign developed markets struggled to gain traction as stock prices fell in Japan and Europe. Japanese stocks faltered ahead of the weekend’s election as polls suggest the ruling coalition could lose its parliamentary majority, depriving the Bank of Japan of the political stability needed to steer a smooth liftoff from near-zero interest rates.
- Emerging markets fell for the third week as weakness across Asian and Latin American markets drove the index lower. South Korea narrowly avoided a technical recession, with its third-quarter GDP growing 0.1% quarter-over-quarter. Over the last year, the country’s economy grew 1.5%, slower than the 2% increase expected by economists.

### Economics

- Initial jobless claims came in better than expected for the week. On Thursday, jobless claims showed an increase of 227,000, which was lower than the consensus estimate of 247,000. In recent weeks, claims have been elevated due to the aftermath of several hurricanes.
- New home sales for September showed a strong increase of 738,000. This exceeded expectations for 718,000 and was the best reading since May 2023.
- Consumer sentiment was released on Friday and reached a six-month high of 70.5. This exceeded expectations of 69.0 and was an increase from September’s reading of 68.9.
- Third-quarter GDP will be released on Wednesday, and October’s employment report will be released on Friday.

## Weekly Market Update

For Week Ending October 25, 2024

Markets					Equity Style					Economic Data						
					S&P 500											
					Yield Curve											
<b>Capital Markets</b>					<b>1 Month*</b>					<b>Year to Date*</b>						
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago	Value	Core	Growth		Value	Core	Growth			Last Release	Year Ago	
Dow Jones Industrial Avg	42,114.40	-2.7%	13.4%	30.0%	0.85	1.59	2.15	> 10%	14.84	23.12	30.56			Inflation		
S&P 500 Index	5,808.12	-1.0%	23.1%	40.7%	1.36	0.70	0.09	0% - 10%	9.98	13.07	15.95			CPI Headline Inflation	2.4%	3.7%
NASDAQ Composite	18,518.61	0.2%	24.1%	45.5%	0.20	-0.35	-0.92	< 0%	4.13	6.98	9.75			CPI Core Inflation	3.3%	4.1%
S&P 400 Midcap Index	3,107.51	-2.8%	13.1%	34.6%										Personal Consumption Exp (PCE) Core	2.7%	3.8%
S&P 600 Smallcap Index	1,390.67	-3.1%	7.0%	31.6%										<b>Jobs</b>		
MSCI EAFE	8,416.85	-2.0%	8.1%	23.4%										Unemployment Rate (U3)	4.1%	3.8%
MSCI Emerging Markets	604.88	-1.7%	13.3%	26.4%										Broader Unemployment Rate (U6)	7.7%	7.0%
Bloomberg US Agg	2,205.88	-0.9%	2.0%	11.1%										JOLT Survey (in millions)	8.04	9.36
Bloomberg Municipal 5 Yr	494.91	-0.7%	1.2%	6.8%										Jobless Claims (000's)	227	213
Bloomberg US Corporate	3,316.24	-1.0%	3.0%	14.0%										Change in Non-Farm Payroll (000's)	254	246
Bloomberg Glb Agg ex US Hdg	587.11	-0.3%	3.9%	9.9%										Average Hourly Earnings (Y/Y % Change)	4.0%	4.5%
Bloomberg High Yield	2,664.89	-0.4%	7.5%	16.8%										<b>Consumer &amp; Spending</b>		
MSCI US REIT Index	2,434.15	-1.7%	13.2%	39.5%										Consumer Confidence (Conf Board)	98.7	104.3
Bloomberg Commodity Index	240.21	2.1%	6.1%	0.6%										Consumer Spending (\$ Bil)	19,897	18,912
	Last Price/Yield	Prior Week	Year End	Year Ago										Consumer Credit (\$ Bil)	5,098	4,982
														Retail Sales (\$ Bil)	714	702
<b>Key Rates</b>					<b>Fixed Income Style</b>					<b>U.S. Productivity</b>						
Fed Funds Target	5.00%	5.00%	5.50%	5.50%	Yield Curve					Real Gross Domestic Product (\$ Bil)			23,224	22,539		
3-Month Treasury	4.63%	4.63%	5.33%	5.46%	5.75% 5.50% 5.25% 5.00% 4.75% 4.50% 4.25% 4.00% 3.75% 3.50% 3.25% 3.00%					Quarter over Quarter Change			3.0%	2.4%		
1-Year Treasury	4.30%	4.18%	4.76%	5.43%	3 Mo 2 Yr 5 Yr 7 Yr 10 Yr 30 Yr					Year Over Year Change			3.0%	2.8%		
2-Year Treasury	4.10%	3.95%	4.25%	5.12%	— Current — 1 Year Ago					ISM Manufacturing			47.20	48.60		
5-Year Treasury	4.06%	3.88%	3.85%	4.92%						Capacity Utilization			77.49	78.93		
7-Year Treasury	4.15%	3.97%	3.88%	4.98%						Markit US Composite PMI			54.30	50.70		
10-Year Treasury	4.24%	4.08%	3.88%	4.95%						<b>U.S. General</b>						
30-Year Treasury	4.50%	4.39%	4.03%	5.09%						Leading Economic Indicators			99.7	104.7		
										Trade Weighted Dollar Index			124.2	124.1		
<b>Consumer Rates</b>										EUR / USD			1.08	1.06		
30-Year Mortgage	7.21%	6.96%	6.99%	5.83%						JPY / USD			152.31	150.23		
Prime Rate	8.75%	8.75%	9.25%	9.25%						CAD / USD			0.72	0.72		
SOFR	4.83%	4.84%	5.38%	5.30%						AUD / USD			0.66	0.63		
<b>Commodities</b>										<b>S&amp;P 500 Sector Returns</b>						
Gold	2,747.56	2,721.46	2,062.98	1,979.72						Information Technology			3.52%	34.22%		
Crude Oil (WTI)	71.78	68.69	71.65	78.20						Utilities			0.26%	30.01%		
Gasoline	3.14	3.18	3.12	3.53						Communication Services			1.95%	29.25%		
Natural Gas	2.56	2.26	2.33	3.80						Financials			4.22%	25.51%		
Copper	4.37	4.38	3.89	3.71						Industrials			1.09%	20.13%		
										Consumer Staples			-1.45%	16.87%		
										Consumer Discretionary			0.12%	14.29%		
										Real Estate			-1.30%	12.82%		
										Materials			-1.36%	11.30%		
										Energy			3.10%	10.72%		
										Health Care			-2.62%	10.34%		
<b>Index Characteristics</b>																
Dow Jones Industrial Avg	21.91	21.55	5.28	1.77												
S&P 500	24.07	24.90	5.17	1.32												
S&P 500 Value	18.34	18.68	2.98	2.29												
S&P 500 Growth	31.46	33.36	11.71	0.61												
NASDAQ	34.56	35.85	7.02	0.71												
S&P Midcap 400	17.74	17.47	2.61	1.72												
S&P Smallcap 600	17.03	16.89	1.90	2.44												
MSCI EAFE	14.87	15.29	1.94	3.18												
MSCI Emerging Markets	13.77	14.97	1.86	3.42												
Source: Bloomberg																

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