**Weekly Market Commentary**

**October 08, 2024**

**The Markets**

Living the realities of risk and reward.

Asset allocation is important because it helps investors manage the risk and rewards of investing. In general, investments have different levels of risk and the potential return (or reward) for taking that level of risk is a higher return. For example, investing in stocks typically has greater risk than investing in quality bonds or cash. In return for taking a higher level of risk (i.e., tolerating the ups and downs of the stock market) investors have the potential to earn higher returns. Quality bonds have less risk that stocks and offer lower return potential, and cash/cash equivalents has the least risk and the lowest return potential.

During the third quarter of 2024—July through September—the stock market offered a lively ride that demonstrated the concept of risk and reward. Major U.S. stock indices bobbed up and down throughout July before dropping sharply in the first week of August when the July unemployment report lagged expectations. The news caused investors to wonder whether the Fed had waited too long to lower rates, the economy was slowing too quickly, and a recession might be ahead, reported Will Daniel of Fortune via Yahoo!Finance.

The stock market rebounded over the remainder of the month as inflation continued to trend lower and economic data remained robust. Then, during the first week of September, the number of new jobs created in August was lower than predicted and investor confidence stumbled again. Uncertainty led to a sharp—and short-lived—decline in stock prices. From that week on, U.S. stock prices trended higher.

Over the quarter, the dips and dives of the stock market made many investors' stomachs drop, but by the end of the quarter, stock prices overall had moved significantly higher. Josh Schafer and Karen Friar of Yahoo!Finance reported:

"Wall Street indexes recorded monthly wins to close out the last trading day of September. Notably, the S&P 500 notched its best year-to-date performance at September's end since 1997…Over the last three months, the Dow led the major indexes' gains, up 8.2 [percent]. The S&P gained 5.4 [percent], and the Nasdaq added nearly 3 [percent]."

Investors appear to have set aside worries about the U.S. economy and rightfully so, according to Mark Zandi, the chief economist at Moody's Analytics. At the end of September, he wrote:

"I've hesitated to say this at the risk of sounding hyperbolic, but with last week's big GDP revisions, there is no denying it: This is among the best performing economies in my 35+ years as an economist. Economic growth is rip-roaring, with real GDP up 3 [percent] over the past year. Unemployment is low at near 4 [percent], consistent with full employment. Inflation is fast closing in on Fed's 2 [percent] target—grocery prices, rents and gas prices are flat to down over the past more than a year. Households' financial obligations are light, and set to get lighter with the Fed cutting rates. House prices have never been higher, and most homeowners have more equity in their homes than ever. Corporate profits are robust, and the stock market is hitting a record high on a seemingly daily basis. Of course there are blemishes, as lower-income households are struggling financially, there is a severe shortage of affordable homes, and the government is running large budget deficits. And things could change quickly. There are plenty of threats. But in my time as an economist, the economy has rarely looked better."

Last week, the S&P 500 Index and Dow Jones Industrial Average closed higher after the U.S. employment report showed 254,000 jobs were created in September. That was well above expectations. The number of jobs created in July and August were revised higher, too. Yields on many maturities of U.S. Treasuries moved higher last week.

| **Data as of 10/4/24** | **1-Week** | **YTD** | **1-Year** | **3-Year** | **5-Year** | **10-Year** |
|---|---|---|---|---|---|---|
| Standard & Poor's 500 Index | 0.2% | 20.5% | 34.9% | 10.2% | 14.3% | 11.3% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Dow Jones Global ex-U.S. Index | -2.2 | 10.3 | 24.4 | 1.0 | 5.1 | 2.9 |
| 10-year Treasury Note (yield only) | 4.0 | N/A | 4.7 | 1.5 | 1.5 | 2.4 |
| Gold (per ounce) | -0.4 | 27.5 | 45.7 | 14.7 | 12.1 | 8.3 |
| Bloomberg Commodity Index | 1.8 | 3.5 | 0.4 | 0.0 | 5.6 | -1.6 |

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**WHAT DO YOU KNOW ABOUT HOLIDAYS?** Holidays and the economy are inextricably intertwined. Halloween, Thanksgiving, Hannukah, Christmas, Yaldā Night, Kwanzaa, Mother's Day, Father's Day, Lunar New Year and other celebrations give the U.S. economy a boost because people spend money to observe them. It works the other way, too. The state of the economy can affect how much consumers spend on holidays. When the economy is doing well, they typically have more to spend, and vice versa.

See what you know about holidays by taking this brief quiz.

1. Which of the following events did Americans spend the most on in 2024?
    a. Fourth of July
    b. The Super Bowl
    c. St. Patrick's Day
    d. Father's Day

2. Americans are expected to spend about $104 per person on Halloween in 2024. Some of that money will be spent on costumes. According to a National Retail Federation survey, which costume ranks in the top five for both children and pets?

    a. Pumpkin

    b. Ghost

    c. Hot dog

    d. Superhero

3. In 2024, back-to-school shoppers (K-12) expected to spend the highest percentage of their budgets on which of the following categories?

    a. Shoes

    b. Electronics

    c. Classroom supplies

    d. Clothing

4. A recent survey found that Gen Xers like Thanksgiving and Memorial Day holidays the best, while Baby Boomers prefer Memorial Day and Veteran's Day. Which holidays are at the top of the list for Millennials?

    a. Thanksgiving Day and Mother's Day

    b. Memorial Day and Veteran's Day

    c. Christmas and Martin Luther King Day

    d. Halloween and New Year's Eve

**Weekly Focus – Think About It**

"The most terrifying thing is to accept oneself completely."

*—Carl Jung, Swiss psychiatrist, psychotherapist and psychologist and founder of analytical psychology*

Answers: 1) d; 2) b; 3) b; 4) a

Best regards,

**Lem**

P.S.  Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stocks of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

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