



OCTOBER 2024

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2024 Election Update

Donald Trump's win in the U.S. Presidential election brings several new considerations for investors moving forward. Some policies discussed on the campaign trail are raising concerns about potentially reigniting inflation and increasing the national debt. These proposals include an increase in public spending designed to stimulate economic growth, as well as significant tax reductions. It will be interesting to see if investors begin adjusting their portfolios to mitigate these potential risks or wait to see if the actual policy is implemented.

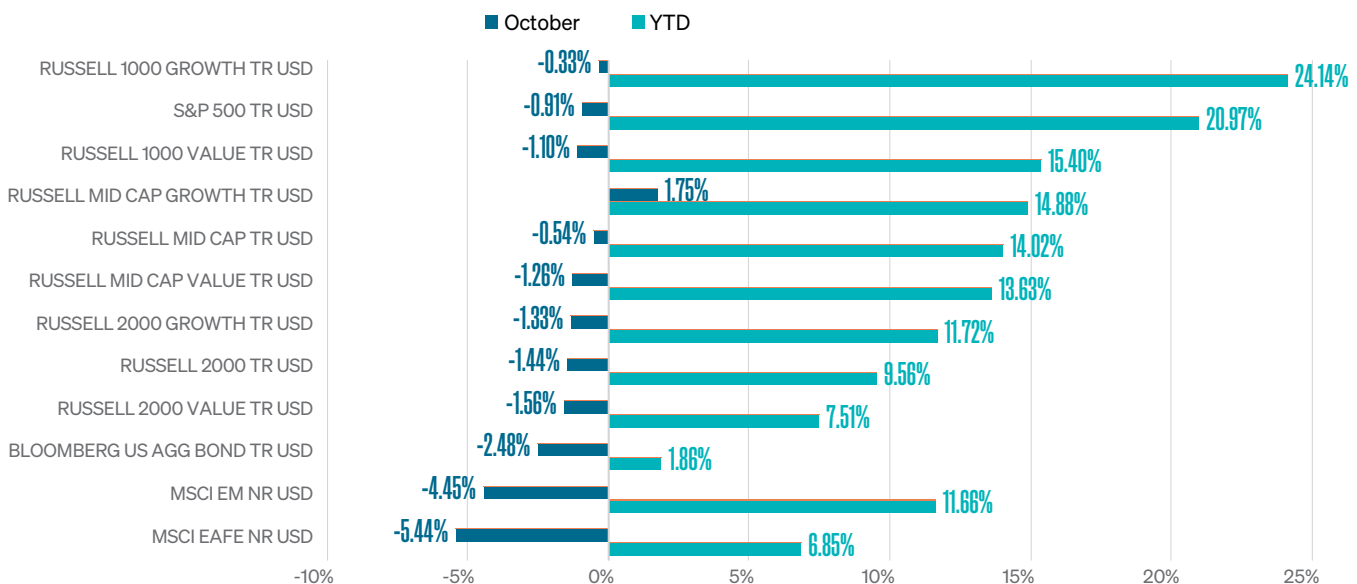
Market Performance

October experienced solid economic data amid growing uncertainty as investors navigated through slower-than-expected GDP growth, softer employment gains, and a series of mixed market returns. Key economic data and market developments caused equity performance to stagnate while bond markets faced ongoing headwinds. Although most major equity indices took a breather from their remarkably strong performance thus far in 2024, the trend of investors preferring growth over value stocks and large-cap over small-cap stocks continued.

One outlier was growth-oriented segments within mid-cap equities that experienced positive returns, with the Russell Mid-Cap Growth Index up 1.75% in October. This increase was primarily due to its higher weighting to technology and industrials that benefitted from the Fed's declining interest rate expectations.

Bonds struggled as the Bloomberg U.S. Aggregate Bond Index declined 2.48%, underscoring ongoing pressures from higher yields on the longer end of the yield curve and a stronger U.S. dollar. Global equities showed pronounced weakness, with the MSCI Emerging Markets Index falling by 4.45% and the MSCI EAFE Index, which captures developed international markets, down 5.44%.

PERFORMANCE AS OF OCTOBER 31, 2024



SOURCE: MORNINGSTAR

Slower GDP Growth

U.S. GDP grew at an annualized rate of 2.8% in Q3 2024 but fell short of the 3.1% forecast. This modest growth was softened by declines in inventories, investment in structures, and residential investment. Offsetting these declines, consumer spending and government spending exceeded expectations, helping to sustain the expansion. This reinforced consumer resilience despite the tighter monetary policy environment.

Labor Markets

October labor markets data revealed an unexpected cooling in job growth. Non-farm payrolls increased by just 12,000 jobs, the smallest monthly gain since December 2020, and substantially lower than October's gain of 254,000, falling well below the forecast of 115,000. However, this low number was heavily influenced by a major strike at Boeing involving 33,000 workers, as well as the disruptions caused by Hurricanes Helene and Milton.

Inflation Moderates

Inflation pressures continued to ease, with the Personal Consumption Expenditures (PCE) Price Index up 2.1% year-over-year, matching forecasts and slightly down from September's 2.2% increase. The modest deceleration in inflation reflected the desired impacts of Federal Reserve policy, aiming to moderate inflation while continuing economic growth. The positive news in the headline PCE level has yet to be reflected in Core PCE results, which removes price-sensitive food and energy prices. Core PCE YOY is +2.7%, where it has remained since July.

Manufacturing and Services Data Diverge

Investors follow ISM Index levels to get a clearer picture of the demand and the health of the economy. Simply put, a level above 50 signals that activity in that part of the economy is growing, while a level below 50 signals contraction. The ISM Manufacturing Index fell to 46.5 in October, below the anticipated 47.6, highlighting continued challenges for U.S. manufacturing in an elevated interest rate environment. Meanwhile, October's ISM Services PMI Index moved notably higher to 56.0. This level easily exceeded analysts' expectations of 53.8 and increased further from September's 54.9. The services sector remained a bright spot for the economy, driven by robust consumer demand.

Looking Forward

October's data reflects the U.S. economy adjusting to slower but continuing growth from consumer and government spending. Market participants will continue to monitor labor market trends, inflation data, and Federal Reserve guidance to gauge the trajectory of interest rates and the economy's overall health. Equities appear poised for cautious gains, while bond markets remain sensitive to potential rate volatility.

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INDEX DESCRIPTIONS

Russell 1000 Growth: The index measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium-term (2 year) growth and higher sales per share historical growth (5 years). The index is completely reconstituted annually. **S&P 500 Growth Index:** The Index measures constituents from the S&P 500 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum. **S&P 500 Index:** The Index tracks the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is one of the most followed equity indices and includes approximately 80% of the total market capitalization of U.S. public companies. **S&P 500 Value Index:** The index measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings and sales to price. **Russell 1000 Value Index:** The index measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium-term (2 years) growth, and lower sales per share historical growth (5 years). The index is completely reconstituted annually. **The Russell Midcap® Growth Index:** The index measures the performance of the midcap growth segment of the US equity universe. It includes those Russell Midcap Index companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market and is completely reconstituted annually. **The Russell Midcap® Index:** The index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 27% of the total market capitalization of the Russell 1000® companies, as of the most recent reconstitution. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The index is completely reconstituted annually. **The Russell Midcap® Value Index:** The index measures the performance of the midcap value segment of the US equity universe. It includes those Russell Midcap Index companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The index is completely reconstituted annually. **Russell 2000 Growth Index:** The index measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. **Russell 2000 Index:** The Index is constructed to provide a comprehensive, unbiased barometer of the small-cap segment of the U.S. equity market. A subset of the Russell 3000 Index, it includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. **Russell 2000 Value Index:** The Index measures the performance of the smallcap value segment of the US equity universe. It includes those Russell 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. **MSCI EAFE Index:** The Index is an equity index that captures large and mid-cap representation across 21 Developed Markets countries* worldwide, excluding the U.S. and Canada. With 783 constituents, the index covers approximately 85% of each country's free float-adjusted market capitalization. **MSCI EM Index:** The Index captures large and mid-cap representation across 24 Emerging Markets (E.M.) countries. With 1,440 constituents, it covers approximately 85% of each country's free float-adjusted market capitalization. **Bloomberg U.S. Aggregate Bond Index:** The Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS, and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, U.S. Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the U.S. Universal Index. The U.S. Aggregate Index was created in 1986, with history backfilled to January 1, 1976.



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