

October 21, 2024

Primary Market Drivers

Economic Data

Last week's strong Retail Sales and Philadelphia Fed Index releases solidified that while the economy may be broadly slowing, the slowdown remains lethargic and relatively modest. This week's economic calendar is relatively light, with Existing Home Sales (9/23), PMI Manufacturing & Services (10/24), New Home Sales (10/24), Durable Goods Orders (10/25), and Michigan Consumer Sentiment (10/25) on tap. Focus will be on the housing data, though we expect economic data to take a back seat to earnings as we step into one of the busiest earnings weeks of the season.

Fed Policy

The Fed's easing cycle has officially begun after the central bank cut rates by 50bps at its last meeting. The dot plot release indicated that the Fed expects another 50bps worth of cuts in 2024 and 100bps of cuts in 2025. While a September cut had been a foregone conclusion for some time, the Fed opting for 50bps over 25bps was surprisingly dovish. Now that the easing cycle has officially begun, market participants will be keeping a close eye on economic data, particularly labor market data as Jerome Powell made it very clear that the central bank's focus had shifted from inflation to the other side of its dual mandate - promoting maximum employment. November rate cut odds (via CME's FedWatch Tool) currently show an 99.3% chance of a 25bps cut, essentially signaling a 25bps cut as a foregone conclusion at the Fed's meeting on 11/7.

Earnings

Earnings season kicked into high gear last week with bevy of announcements. Strong results from Bank of America and Netflix had equities holding the line near all-time highs, highlighting the first busy week of the season. This week sees 109 S&P 500 companies (21.8% of the index) reporting across all major sectors. We will be watching results from Sherwin-Williams (SHW 10/22), Freeport-McMoRan (FCX 10/22), Philip Morris Intl (PM 10/22), RTX Corp (RTX 10/22), NextEra Energy (NEE 10/23), Tesla (TSLA 10/23), Coca-Cola (KO 10/23), T-Mobile (TMUS 10/23), AT&T (T 10/23), IBM (IBM 10/23), Digital Realty Trust (DLR 10/24), Dow Inc (DOW 10/24), Union Pacific (UNP 10/24), Valero Energy (VLO 10/24), and Colgate-Palmolive (CL 10/25), among others, for clues how the broad economy is faring as we close out 2024. Next week will be the most impactful week of the year with big tech on tap. Alphabet, Meta, Microsoft, Apple, Amazon, and Visa are all slated to report, so expect fireworks.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns		10/17/2024
Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	24.15%
Dow Jones	DIA	16.34%
Large-Cap Growth	QQQ	21.27%
Large-Cap Value	IVE	17.19%
Mid Caps	MDY	16.08%
Small Caps	IWM	13.41%
International Equity		
Developed Intl	EFA	10.67%
Emerging Markets	EEM	14.99%
Fixed Income		
Core Bonds	AGG	3.06%
Corporate Bonds	LQD	3.44%
High Yield Bonds	HYG	7.94%
ST Treasuries	IEI	3.05%
LT Treasuries	TLT	-2.23%
International Bonds	BNDX	3.52%



Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Economy Slowing	21.8% of S&P 500 Reporting Earnings
Fed Easing Cycle	Elevated Volatility	Earnings: FCX, PM, TSLA, KO, TMUS, IBM
Strong Earnings Growth	Yield Curve Flattening, Rates Rising	11/7 Fed Meeting - 25bps 99.3% Odds
Long-Term Bull Market; All Time Highs	Election Season	Big Tech Earnings Next Week
Positive Slope for Yield Curve	Valuations Entering Earnings Season	China Volatility
Broad Market Rally	Geopolitical Conflicts	S&P 500 All-Time Highs

Portfolio Manager Commentary

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