

## Primary Market Drivers

### Economic Data

Last week's Nonfarm Payrolls data was a major surprise. The economy added +254k jobs versus expectations for +142.5k. The elephant in the room is the fact that the Nonfarm Payrolls figure has been revised downwards in 11 of the past 13 months in significant fashion, and that a presidential election is just a month away. Nevertheless, the market cheered the data, sending equities higher to end the week and November Fed rate cut odds heavily towards 25bps instead of 50bps. This week is a relatively light economic calendar as earnings season kicks off. The only notable releases are September CPI (10/10) and PPI (10/11), though neither are expected to move markets barring a major surprise, which is unlikely at this stage.

### Fed Policy

The Fed's easing cycle has officially begun after the central bank cut rates by 50bps a few weeks ago. 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. Last week's strong Nonfarm Payrolls report has shifted odds for November 7th's policy decision considerably. What was once a coin toss between a 25bps and 50bps cut just a week ago is now a 92.8% chance of a 25bps cut. It just goes to show how sensitive rate cut odds are to labor market data in the current environment.

### Earnings

The final earnings season of 2024 kicks off this week with a handful of notable companies reporting. Early in the week we get reports from Pepsi (PEP 10/8), Delta Air Lines (DAL 10/10), Domino's Pizza (DPZ 10/10), and Progressive (PGR 10/10). All are proxies for the state of the consumer, so expect all to be heavily scrutinized. Then on Friday, big banks are on tap with JPMorgan (JPM 10/11), Wells Fargo (WFC 10/11), and Bank of New York Mellon (BK 10/11) reporting. Fastenal (FAST 10/11) also reports, though the focus will be on the banks, especially in a rapidly changing environment for interest rates. Next week, 47 S&P 500 companies report, including major announcements from UnitedHealth, Johnson & Johnson, Prologis, Abbot Labs, PPG Industries, Netflix, and Procter & Gamble. Expect earnings to be a primary driver through the end of the year as investors aim to justify lofty current valuations.

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 10/4/2024

Category	Ticker	YTD%
<b>Domestic Equity</b>		
S&P 500	SPY	21.69%
Dow Jones	DIA	13.82%
Large-Cap Growth	QQQ	19.52%
Large-Cap Value	IVE	14.80%
Mid Caps	MDY	13.16%
Small Caps	IWM	10.15%
<b>International Equity</b>		
Developed Intl	EFA	11.49%
Emerging Markets	EEM	17.62%
<b>Fixed Income</b>		
Core Bonds	AGG	3.51%
Corporate Bonds	LQD	4.16%
High Yield Bonds	HYG	7.67%
ST Treasuries	IEI	3.21%
LT Treasuries	TLT	-0.48%
International Bonds	BNDX	3.11%



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	Earnings: PEP, DAL, DPZ, JPM, WFC, BK
Fed Easing Cycle	Elevated Volatility	September CPI (10/10) & PPI (10/11)
Strong Earnings Growth	Yield Curve Flattening, Rates Rising	Rate Cut Odds Shifting to 25bps
Long-Term Bull Market	Election Season	Market Reaction to China Easing
Positive Slope for Yield Curve	Valuations Entering Earnings Season	S&P 500 Pushing All-Time Highs
Broad Market Rally	Geopolitical Conflicts	

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