ECONOMIC & MARKET UPDATE

LANDMARK WEALTH MANAGEMENT

September 30, 2024

As we begin the final quarter of the year, financial markets and the economy have defied the expectations of many investors. Rather than falling into a recession, the economy has grown steadily, albeit at a slower pace, and inflation rates have fallen toward the Fed's target. As a result, the economic environment has shifted to a monetary easing cycle, propelling the equity markets to new highs and boosting bond returns. In the 3rd quarter, areas like US small-cap equities (Russell 2000 Growth) and international equities (MSCI EAFE) outperformed their US large-cap counterparts. We remain optimistic about equities in general due to the following: 1) investors' renewed focus on corporate earnings and a supportive labor market, 2) the gradual broadening of the stock market returns, and 3) the continuing global industrial rebound.

Asset Class 3rd Quarter Returns:

Asset Class	Q3 2024 Returns
Real Assets	14.7%
US Small Cap	10.1%
Emerging Markets	8.7%
Developed International	7.3%
US Mid Cap	6.9%
US Large Cap	5.9%
Core Bonds	5.2%
Multisector Bonds	4.4%
Strategic Equity	1.2%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly.

The Fed, Interest Rates, Inflation

The past three months have been characterized by a dynamic and uncertain environment. The Federal Reserve's (Fed's) focus has shifted to the softening labor market, raising fears of a sharper US economic slowdown and triggering a global sell-off in risk assets. The Fed lowered the policy rate by 50 basis points to a target of 5%.

This move marks the start of the Fed's first easing cycle since the onset of the pandemic in March 2020. Fed Chairman Jerome Powell described it as a policy "recalibration" aiming to pre-empt any US economy and labor market weakening after more than a year of holding rates at their highest level since 2001.

Employment

The solid September employment report reveals a positive close for the 3rd quarter of 2024, with a rise in payroll additions, a downtick in the unemployment rate, and solid wage gains. The US economy added 254,000 jobs in September 2024, exceeding expectations of 142,500. The July and August jobs reports were revised higher, up 55,000 and 17,000, respectively. This data supports many expectations for a soft economic landing and a gradual pace of the Fed's rate cuts from here.

US Economy

Despite persistent concerns surrounding the durability of growth and interest rate policy, the US economy remains fundamentally strong. While real gross domestic product growth slowed in the 1st quarter of this year, growth rebounded to a robust 3.0% in the 2nd quarter. All available evidence suggests policymakers may have managed to bring inflation under control without causing a hard landing scenario. Consumer spending keeps coming in stronger than expected and is forecasted to rise 2.4% in 2024, slightly more than the 2.2% increase recorded last year.

2024 IN FOCUS

Markets have been on a good run this year, especially equities, supported by earnings growth. These past three quarters serve as a reminder that it's often best to focus on the longer-term trends rather than events in the rearview mirror. Of course, there are still many risks ahead. The path of the Fed policy is uncertain, and investors are already debating the size of the next rate cut. The presidential election is still close and geopolitical conflicts are worsening with possible implications for global stability, supply chains, and oil prices. Of course, market fluctuations are an unavoidable part of investing, and a decline will inevitably occur at some point. However, attempting to time such declines is not only challenging, but usually costly. The pullbacks in April and August are a reminder that the market recovers faster than many investors expect. The bottom line: With the Fed cutting rates, the election on the horizon, and markets near all-time hight, it is more important than ever to focused on long-term financial goals rather than short-term events.