Treasury Yields Rise Following the Fed's September Rate Cut

Services
Investment Management

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Monthly Market Summary

- The S&P 500 Index returned -0.9%, outperforming the Russell 2000 Index's -1.4% return. Three of the eleven S&P 500 sectors traded higher, with Financials and Communication Services both gaining more than +1.5%. The remaining eight sectors all traded lower by more than -1% during the month.
- Corporate investment-grade bonds produced a -3.2% total return as Treasury yields rose, underperforming corporate high-yield's -1.0% total return.
- International stocks traded lower. The MSCI EAFE developed market stock index returned -5.3%, while the MSCI Emerging Market Index returned -3.1%.

Stocks End 5-Month Winning Streak with First Loss Since April

Stocks finished October lower as investors navigated Q3 earnings, the upcoming election, and uncertain Federal Reserve policy. The S&P 500 posted its first monthly loss since April, lowering its year-to-date return to +20.7%. Large-cap stocks slightly outperformed small-cap stocks, but most investment factors produced similar returns.

In the bond market, Treasury yields climbed as investors considered the possibility that the Fed may not cut interest rates as much as previously expected. Concerns about fiscal spending also drove Treasury yields higher, with expectations for continued high government spending regardless of the election outcome. With yields rising sharply, bonds traded lower for the first time in six months.

Treasury Yields Spike After the Fed's September Rate Cut

The bond market has experienced several large swings this year. The 10-year Treasury yield began the year around 3.90%. However, as inflation rose early in the year, the 10-year yield climbed to 4.70% by late April. Yields then reversed over the summer as falling inflation and rising unemployment fueled expectations for deeper rate cuts. Between late April and mid-September, the 10-year yield dropped by over -1.00%. It hit a low of 3.62% the week of the Fed's September meeting, when the central bank cut interest rates by -0.50%. It may seem counterintuitive, but since the Fed's September meeting, Treasury yields have risen sharply. The 10-year Treasury yield ended October at 4.28%, rising by over +0.65% in one and a half months.

What's behind this year's bond market swings? Volatile economic trends and uncertain Fed policy. Two key data points have increased volatility: 1) inflation surged early in the year

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before easing over the summer, 2) unemployment rose from 3.7% in January to 4.3% in July, then fell to 4.1% in September. The Fed aims for stable prices and full employment, but conflicting data has complicated its interest rate decisions. There's general agreement that the Fed should continue to lower interest rates, but there's debate about how quickly and how much. The recent increase in Treasury yields reflects expectations for fewer interest rate cuts. As we've seen this year, that outlook could change in the coming months.

Exhaling After the Election

Now that the election has passed, we look to the strong historical seasonality of November, December, and January to continue to carry the market higher. In fact, November is the #1 S&P 500 and #2 Dow month since 1950, and #2 for the NASDAQ since 1971 – it remains a good time to stay invested.[1]

The fourth quarter is also a time to consider portfolio positioning for 2025. Portfolios try to balance risk with reward to achieve clients' long-term goals. As such, any marginal portfolio shifts will be adaptive to forward-looking market expectations.

This Month in Numbers

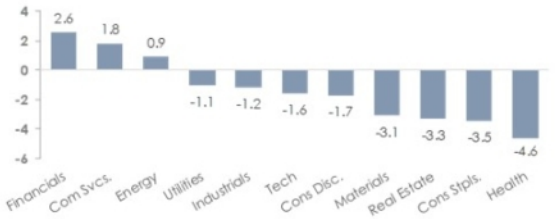
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FIGURE 1
U.S. Style Returns (October in %)

	Value	Blend	Growth
Large	-1.1	-0.9	-0.4
Md	-1.3	-0.5	1.7
Small	-1.5	-1.4	-1.3

Data Reflects Most Recently Available As of 10/31/2024

FIGURE 2
U.S. Sector Returns (October in %)



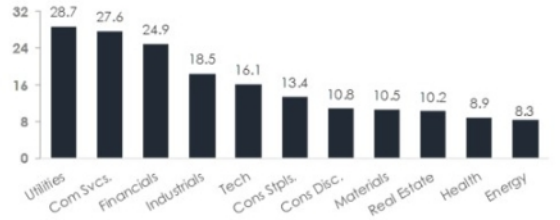
Data Reflects Most Recently Available As of 10/31/2024

FIGURE 3
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	15.1	20.7	23.8
Md	13.4	13.9	14.6
Small	7.2	9.4	11.7

Data Reflects Most Recently Available As of 10/31/2024

FIGURE 4
U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 10/31/2024

FIGURE 5
Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B
S&P 500	-0.9%	3.6%	14.0%	20.7%	37.6%	28.1%	1.21%	21.8x	4.9x
Dow Jones	-1.3%	2.7%	11.4%	12.2%	28.5%	22.1%	1.63%	19.2x	4.9x
Russell 2000	-1.4%	-2.4%	11.8%	9.4%	33.9%	-1.1%	1.16%	24.8x	1.2x
Russell 1000 Growth	-0.4%	4.6%	16.1%	23.8%	43.4%	27.4%	0.48%	28.9x	12.4x
Russell 1000 Value	-1.1%	2.9%	10.4%	15.1%	30.5%	20.0%	1.83%	16.7x	2.7x
MSCI EAFE	-5.3%	-1.4%	4.3%	7.0%	21.9%	7.0%	2.92%	14.1x	1.8x
MSCI EM	-3.1%	3.5%	9.1%	11.3%	23.9%	-6.8%	2.32%	12.4x	1.7x
NASDAQ 100	-0.9%	2.9%	14.3%	18.6%	38.8%	27.2%	0.57%	26.5x	7.6x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.73%	-2.5%	0.2%	1.9%	10.4%	-6.7%
U.S. Corporates	5.19%	-3.2%	0.6%	1.7%	14.7%	-9.2%
Municipal Bonds	3.97%	-1.2%	0.1%	0.9%	9.1%	-0.8%
High Yield Bonds	7.39%	-1.0%	2.3%	6.9%	15.5%	5.7%

Commodities	Level	1 month	YTD
Oil (WTI)	70.61	3.6%	-1.5%
Gasoline	1.89	-5.7%	-8.3%
Natural Gas	2.71	-7.2%	16.6%
Propane	0.81	20.5%	21.1%
Ethanol	1.47	-6.1%	-9.0%
Gold	2,757	3.7%	33.1%
Silver	32.83	4.3%	36.3%
Copper	4.33	-3.7%	11.5%
Steel	735	-5.2%	-35.2%
Corn	4.11	-3.2%	-12.7%
Soybeans	9.80	-5.7%	-23.9%

Key Rates	10/31/2024	9/30/2024	7/31/2024	4/30/2024	10/31/2023	10/31/2021
2 yr Treasury	4.16%	3.64%	4.26%	5.03%	5.06%	0.49%
10 yr Treasury	4.28%	3.79%	4.05%	4.68%	4.90%	1.55%
30 yr Treasury	4.48%	4.13%	4.34%	4.79%	5.06%	1.94%
30 yr Mortgage	7.23%	6.68%	7.04%	7.55%	8.06%	3.14%
Prime Rate	8.50%	8.00%	8.50%	8.50%	8.50%	3.25%

Data Reflects Most Recently Available As of 10/31/2024

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The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

The Russell 2000 index measures the performance of approximately 2,000 small-cap US equities.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging

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Markets (EM) countries.

The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

The Russell 1000 Growth index is an index that tracks large cap, growth stocks. This benchmark is important for investors that might tilt their investments towards large cap growth. Growth stocks, in comparison to value stocks, are considered companies with a more growth potential, and a higher risk profile.

The Russell 1000 Value index is an index that tracks large cap, value stocks. This benchmark is important for investors that might tilt their investments towards large cap value. Value stocks, in comparison to growth stocks, are considered companies with a stable cash flow, and more mature business model.

The CBOE VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPX) call and put options.

The Magnificent 7 is a group of major tech companies with stock growth that, on average, far outpaced the high-performing S&P 500® in recent years.

Coined in 2023, the group consists of Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

The Dow Jones Industrial Average, or simply the Dow, is a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, and how they have traded in the stock market during various periods of time. These 30 companies are also included in the S&P 500 Index. The value of the Dow is not a weighted arithmetic mean and does not represent its component companies' market capitalization, but rather the sum of the price of one share of stock for each component company. The sum is corrected by a factor which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index.

The Bloomberg US Aggregate Bond Index is used as a benchmark for investment grade bonds within the United States. This index is important as a benchmark for someone wanting to track their fixed income asset allocation.

The Bloomberg US Corporate Index covers performance for United States corporate bonds. This index serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds.

The Bloomberg US Corporate High Yield Index covers performance for United States high yield corporate bonds. This index serves as an important benchmark for portfolios that include exposure to

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riskier corporate bonds that might not necessarily be investment grade.

Treasuries, also known as Treasury securities, are debt obligations issued by the United States government. They are used to raise cash needed to fund government operations and help finance the federal deficit. Treasuries are backed by the full faith and credit of the US government, making them one of the safest investments. They are an important instrument in monetary policy, allowing central banks to control the money supply.

The Prime Rate is the interest rate that commercial banks charge their most creditworthy corporate customers. The prime rate is derived from the federal funds rate, usually using fed funds + 3 as the formula.

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