

Index	Asset Class	2024		2023
		Sep.	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	2.6%	20.0%	55.1%
S&P 500	Large Cap U.S. Equity	2.1	22.1	26.3
S&P 400	Mid Cap U.S. Equity	1.2	13.5	16.4
S&P 600	Small Cap U.S. Equity	0.9	9.3	16.1
MSCI All Country World	Global Equity	2.4	19.1	22.8
MSCI All Country World (Ex U.S.)	International Equity	2.7	14.7	16.2
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	1.0	13.5	18.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	6.7	17.2	10.3
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	1.3	4.5	5.5
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	1.0	2.3	6.2
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	1.4	7.8	8.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	1.6	8.0	13.4
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.2	16.0	19.2
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.0	13.1	15.7
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.8	10.1	12.3
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.5	7.3	8.9
Data as of 9/30/2024. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Economy

Widely expected and also somewhat surprising were the results of the FOMC meeting two weeks ago. On one hand, markets anticipated and Fed Chair Powell had telegraphed a dovish pivot for the direction of policy rates. On the other hand, few expected and most were surprised by the announced 50 basis point cut in the Fed Funds rate.¹ Within his speech following the FOMC meeting, Chair Powell attributed the recalibration of the Fed policy stance and rate cut decision to diminished risk for inflation (as it approaches the Fed's 2% goal), and new downside risk for employment (with the unemployment rate increasing to 4.2%).²

What's next? Earlier this week, Chair Powell offered some clarification that September's 50 basis point (bp) cut should not be interpreted as the future pace. Rather, in fairly specific guidance, he offered that most likely there will be two more rate cuts by yearend of 25 bp each, for a total of 50 bp.³ The next two FOMC meetings are scheduled for November 6-7 and December 17-18, 2024.

Regarding economic conditions and trends, we believe that the 50bp cut and the additional 50bp in cuts anticipated, can be expected to meaningfully stimulate economic activity – although with a lag of at least several months.⁴ Between now and then, monthly employment data will remain a primary focus as a harbinger for a potential recession and, of course, any reacceleration of inflation would certainly complicate things.

Equity Markets

Overall, September saw a gradual upward move for global equities. Emerging market stocks led by a wide margin, based on a sharp rally late in the month by Chinese stocks on news of a multi-pronged Chinese Government stimulus package.⁵ Among U.S. stocks, Large Caps continued to lead (S&P 500 and NASDAQ 100) for the month and year to date, while Mid and Small Caps continued to lag (S&P 400 and S&P 600, respectively). What was a bit surprising was the muted response by U.S. Small Caps to the larger than expected Fed rate cut.

Fixed Income Markets

“The [inversion] has ended, go in peace.” Twenty-six months after it started, the Yield Curve Inversion that we’ve referred to often has finally ended, thereby restoring a normal upward slope for the term structure of interest rates. Don’t blame the messenger, but the end of a Yield Curve inversion has preceded all six U.S. recessions since 1980.

Within September, the bond indexes we track rose decently across credit qualities. On a year to date basis, the high yield indexes remain the leaders, which is not surprising given their correlation to equities.

Reference(s):

- 1) “Fed Slashes Interest Rates...”, CNBC News Article, September 18, 2024 - <https://www.cnbc.com/2024/09/18/fed-cuts-rates-september-2024-.html>
- 2) Federal Reserve Chair Jerome Powell Press Conference Transcript Following FOMC Meeting, September 18, 2024 - <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240918.pdf>
- 3) Powell’s Guidance for Fed Fund Rates, CNBC News Article, September 30, 2024 - <https://www.cnbc.com/2024/09/30/powell-indicates-further-rate-cuts-but-insists-the-fed-is-not-on-any-preset-course.html>
- 4) When and How Lower Interest Rates Help the Economy, CNN News Article, September 17, 2024 - <https://www.cnn.com/2024/09/17/economy/interest-rate-cut-economic-impact/index.html#:~:text=The%20jury%20is%20still%20out,kicked%20off%20its%20hiking%20cycle.>
- 5) China Stimulus Package, Reuters News Article, September 27, 2024 - <https://www.reuters.com/markets/asia/chinas-central-bank-cuts-banks-reserve-requirement-ratio-by-50-bps-2024-09-27/>

Traverse Private Wealth is a registered investment advisor in the State of Pennsylvania. This publication is reprinted with permission from Genesis Investments LLC, an SEC registered investment adviser. Genesis Investments LLC and Traverse are unaffiliated entities. This publication is in no way a solicitation or offer to sell securities or investment advisory services. Statistical information, quotes, charts, references to articles or any other quoted statement or statements regarding market or other financial information is obtained from sources which we believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information.

Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.

All domestic and international rights are reserved. No part of this newsletter including text, graphics, et al, may be reproduced, copied or edited in any format, electronic, print, et al, without written consent from Genesis Investments LLC. Neither Rafael A. Villagran, the author of this report, nor Genesis Investments LLC provide legal or tax advice. Readers are advised to consult their investment advisor, attorney, or tax professional before making any investment decisions.