Monthly Market Recap

October 2024

From the Investment Committee

October was on track to be another strong month for equity returns until volatility flared in the final trading days, fueled by earnings reports from several mega-cap tech companies.

At the beginning of the month, the Southeast was asked to prepare for Hurricane Milton just as Hurricane Helene recovery efforts began. The month also included port and aerospace strikes. The union representing 45,000 port workers along the East and Gulf Coasts negotiated for a swift resolution after striking for several days, while the strike by a union representing 30,000 Boeing workers entered its seventh week at the end of October. All of these events will likely impact domestic economic data as we close the year.

The S&P and Nasdaq both finished the month lower by 0.9% and 0.5%, respectively. Although the market slowed in October, returns remain incredibly strong year-to-date. Q3 earnings season is well underway and is on track to generate the fifth straight quarter of year-over-year earnings growth. This is a welcomed development as we head into the holiday season, though it will be critical to monitor company forecasts moving forward.

October was a challenging month for fixed income as yields moved significantly higher. The benchmark 10-year Treasury yield rose by more than 0.50%, driven by stronger-than-expected economic data, with both the employment and inflation metrics posting above the median survey. As a result, the market scaled back the number of 0.25% rate cuts forecasted through year-end from three to two. The increase in yields pushed returns negative for the month, making October the worst month of the year for most fixed income indexes.

Risk assets in international markets posted weaker returns in October. Most notably, the "sugar high" of China's stimulus package cooled after record performance at the end of September. Markets appear to be cautious about the long-term impact of the initial stimulus package.

The final months of 2024 will bring no shortage of headlines as markets digest the election, further Fed rates cuts and key data on unemployment and inflation. We continue to caution our investors against allowing politics to influence their long-term investment goals. Please be assured that we are watching closely and will communicate regularly amid new developments.

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Key Takeaways

Treasury Yields Rise Dramatically	• Treasury yields moved significantly higher in October, led by the 5-year yield's 0.60% gain and the 10-year's 0.50% gain. These moves higher marked the largest increase in Treasury yields since September 2022. • Stronger-than-expected economic data released over the month led to markets rethinking the Fed's aggressive rate-cutting path. • As of the end of October, the market is pricing in only two more 0.25% cuts for the rest of the year, down from 3 cuts at the beginning of the month.
Q3 Earnings Season Underway	• As of month-end, 70% of S&P 500 companies have reported Q3 earnings results. Of those companies, 75% have reported a positive Earnings Per Share, a surprise from expectations. • The blended growth rate on the S&P 500 is currently 5.1%. A positive Q3 would mark the fifth straight positive quarter of year-over-year growth. • Margins have remained resilient. The blended net profit margin in Q3 is currently 12.1%.
Economic Data Remains Resilient	• The first read of Q3 GDP came in at 2.7% YOY, another strong quarter. • Unemployment remained consistent at 4.1%. Expect impacts related to strikes and extreme weather in next month's labor market report. • PCE, the Fed's preferred gauge of inflation, declined from 2.72% to 2.65%. • CPI excluding Food and Energy rose slightly from 3.2% to 3.3% on the back of higher auto insurance and airline prices, but shelter (the largest weight in the index) continues to decline.
Commodities on the Year	• Gold is up 33.01% this year, outperforming the S&P 500. Central bank purchases paired with gold's use in semiconductors continues to bolster higher bullion prices. • Silver and Copper, primarily used as inputs in industrial processes, have also been strong YTD. • Oil prices continue to be flat in the face of geopolitical uncertainty as OPEC+ members work through disagreements around potential price caps.

Asset Class Performance

Equities

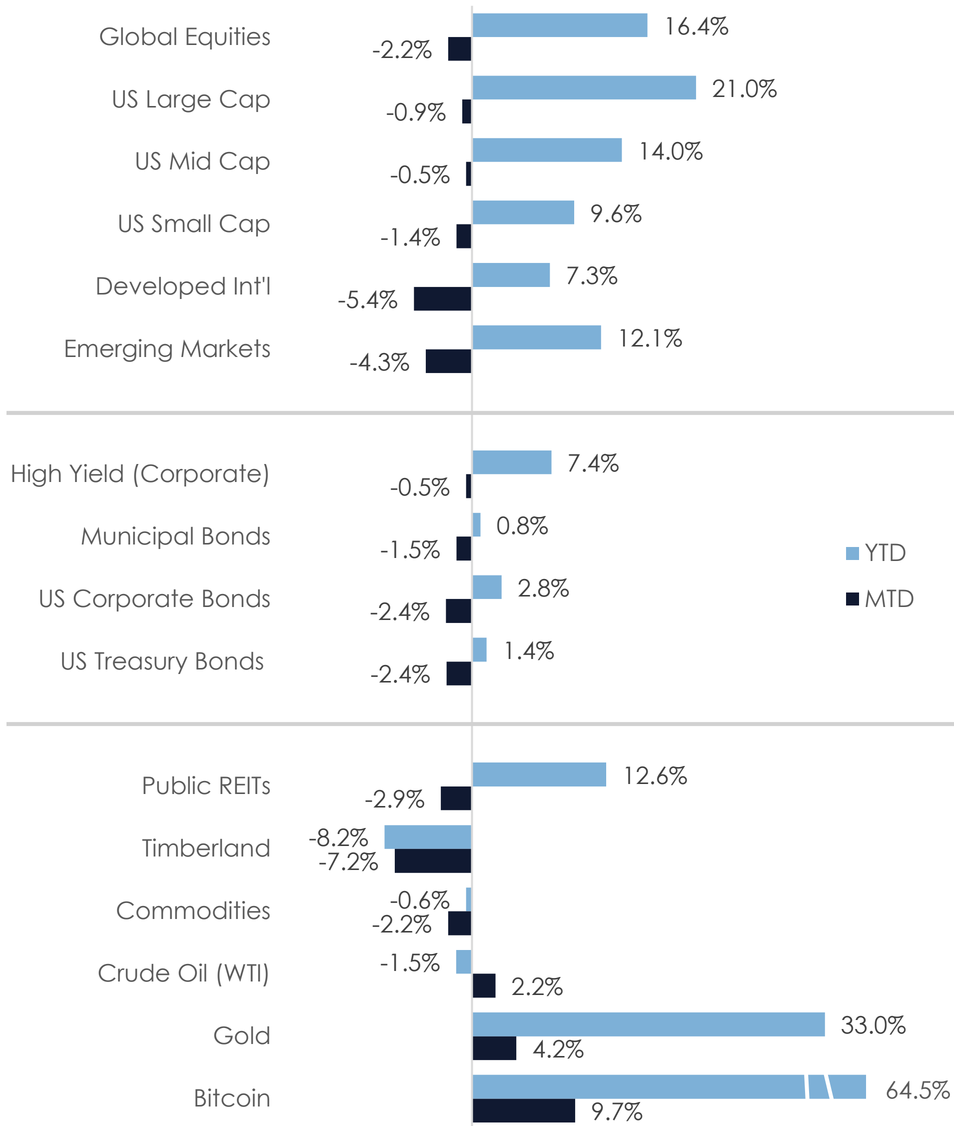
- International equities have taken a back seat relative to the S&P 500 in performance as a Trump victory and large tariffs are expected by markets.
- As the market navigates the upcoming election, October saw a sector rotation led by Financials, Technology, Communications, and Energy.

Fixed Income

- Bond market returns for the month were decidedly negative. By some measures, this was the worst month so far this year.
- Despite the negative performance for October, most bond market index returns remain positive, apart from longer-maturity Treasuries.

Real Assets

- A notably bifurcated market for real assets in October. The traditional alternative currencies – precious metals and cryptocurrencies – had an extremely positive month. The more traditionally industrial commodities – copper, nickel and crude oil – were largely negative.
- Consolidating since this past spring, Bitcoin appears to finally be breaking out towards new all-time highs. Easing monetary policy globally and improving liquidity conditions appear to be lifting the tides of all currency-related commodities.



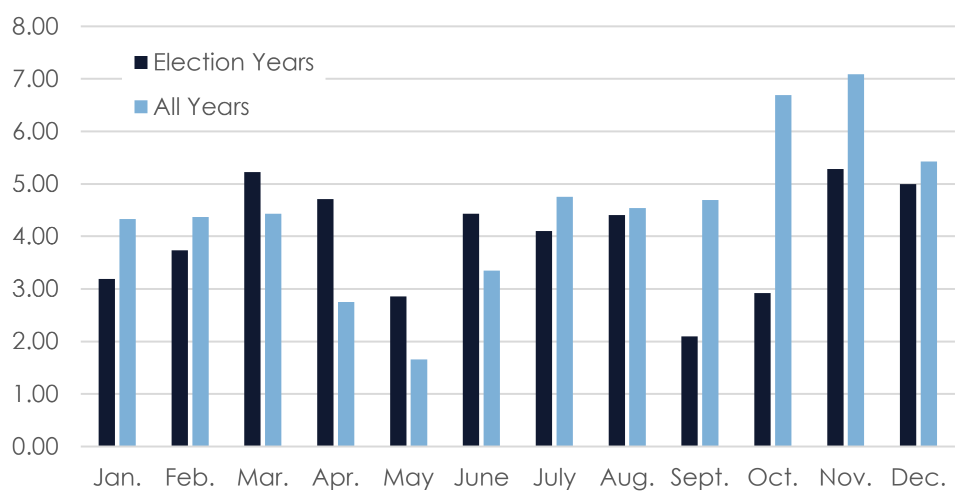
Source: Bloomberg as of October 31, 2024.

Macroeconomic Overview

	Year End 2023 %	Recent Period %	Prior Period %	YTD Change %
GDP (YoY Change)*	3.20	2.70	3.20	(0.50)
Conference Board - LEI*	(0.20)	(0.50)	(0.30)	(0.30)
Unemployment Rate	3.70	4.10	4.10	0.40
CPI (YoY Change)*	3.40	2.40	2.50	(1.00)
CPI ex. Food & Energy*	3.90	3.30	3.20	(0.60)
PCE*	3.04	2.65	2.72	(0.38)
Effective Fed Funds Rate	5.33	4.83	4.83	(0.50)
10-Year U.S. Treasury	3.88	4.29	3.73	0.41

- ***Mixed Signals:*** Generally, economic growth remains stable and unemployment relatively low. However, there are hints of potential weakness.
  - ***GDP:*** GDP came in at a healthy 2.8%, slightly below consensus of 3%.
  - ***Jobs:*** Unemployment held steady at a relatively low 4.1%. Jobs numbers surprised significantly to the downside at 12k added versus 100k expected, impacted by economic displacement from the two major hurricanes.
  - ***US ISM:*** Historically, though perhaps not recently, a reliable economic barometer, ISM stayed in contraction territory with a reading of 46.5, below the expected 47.6.

S&P 500 Returns, Seasonality and Election-Year Volatility on a 6-Month Forward Basis**



- Seasonality refers to the period of September through March when the stock market tends to generate its highest monthly returns on the year, on average.
- Presidential election years tend to have lower performance when compared to all years.
  - This is most notable in September, October and November. Returns are more muted as volatility picks up before Election Day.

Source: Bloomberg as of October 31, 2024. *As of September 30, 2024. **FactSet as of October 31, 2024.

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U.S. Equity Markets

	MTD %	YTD %	1 Yr %
Financials	2.69	25.17	46.13
Communications Services	1.94	31.31	48.23
Energy	0.79	9.22	8.01
S&P 500	***(0.92)***	***20.96***	***37.87***
Technology	(0.97)	29.04	51.06
Utilities	(1.02)	29.29	38.46
Industrials	(1.35)	18.58	37.89
Consumer Discretionary	(1.55)	12.14	31.87
Consumer Staples	(2.80)	15.42	23.24
Real Estate	(3.27)	10.56	35.04
Materials	(3.49)	10.16	24.73
Health Care	(4.62)	9.07	19.85

	Value	Core	Growth
Large	-1.1	-0.7	-0.3
Mid	-1.3	-0.5	1.7
Small	-1.6	-1.4	-1.3

QTD (%)

	Value	Core	Growth
Large	15.4	20.3	24.1
Mid	13.6	14.0	14.9
Small	7.5	9.6	11.7

YTD (%)

Best

- As of November 1, the market is pricing in a Trump presidency. As a result, there has been a predictive sector rotation into Financials and Energy. The sectors have outpaced the S&P 500 and are expected to receive a boost in a Trump presidency due to deregulation and corporate tax cuts.

Worst

- ***Health Care:*** The sector trailed the S&P 500 by nearly 4% this month. The underperformance can be attributed to continued sector rotation as investors move away from defensive stocks and into high-growth tech stocks that benefit from AI developments.

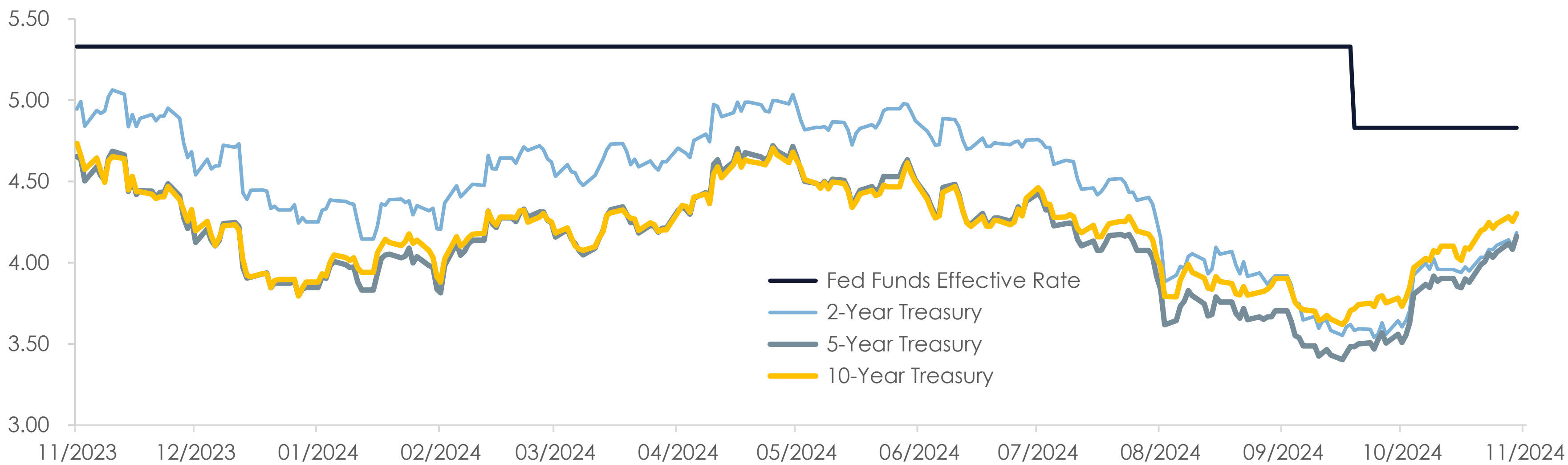
- ***Market Capitalization:*** Large-cap stocks have generally been the best performers for the month, while small-cap stocks were some of the largest underperformers.

- ***Style:*** Given the market is pricing in a Trump victory, there has been a shift into growth stocks, which are expected to outperform relative to value stocks. In October, only mid-cap growth and large-cap growth stocks outperformed the S&P 500.

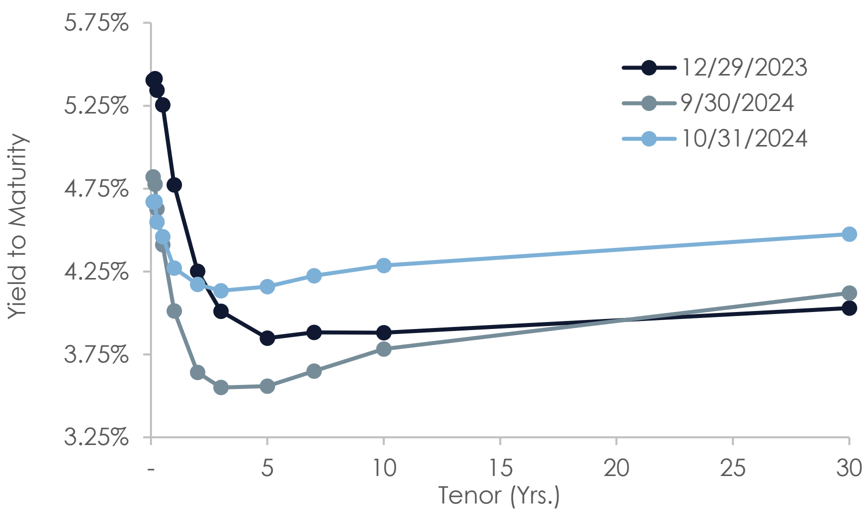
Source: Bloomberg as of October 31, 2024.

Fixed Income

Fed Funds Rate & Treasury Yields



U.S. Treasury Yield Curve



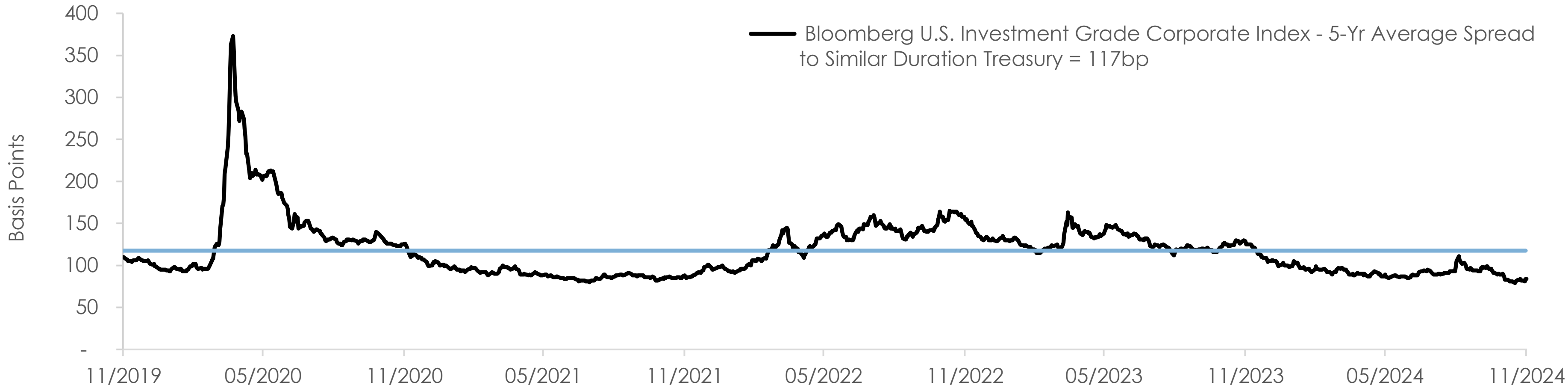
- Bond markets sold off in October as the economic data remained stronger than expected, reducing the market's expectation of an aggressive Fed ease.
- The increase in Treasury yields was most evident in 2-year to 5-year Treasuries, rising over 0.50% for the month.
- The stronger economic data pushed the market-implied fed funds rate for the end of the year from 4.12% to 4.39%. This dials back the number of 0.25% cuts from three to two by year-end.

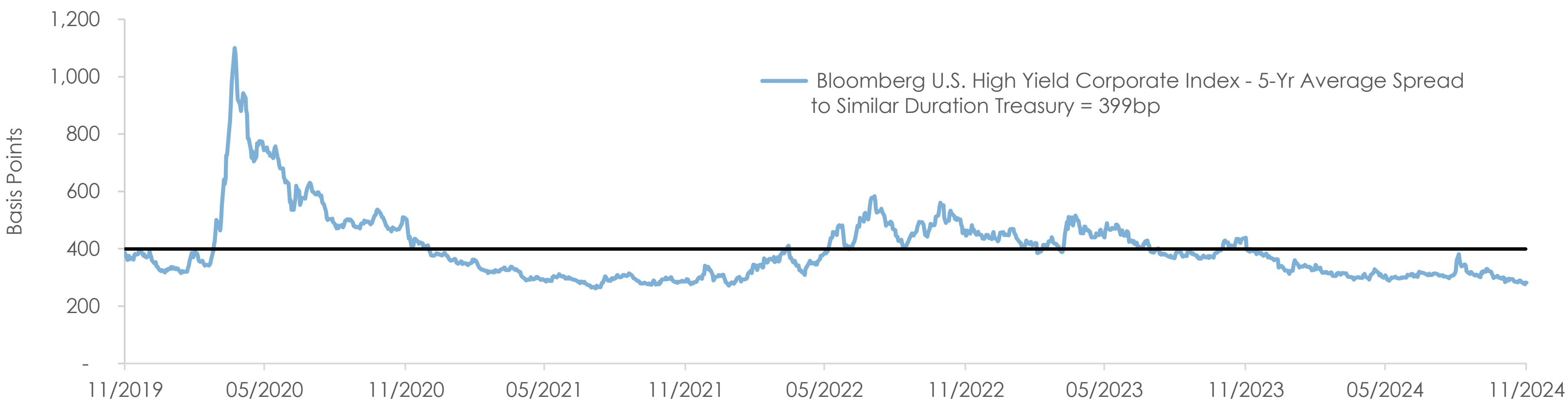
Source: Bloomberg as of October 31, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Corporate Bond Spreads

- *Corporate bond spreads continue to drive lower, hitting 0.79% intra-month, the lowest since 2005. High Yield bond spreads at 2.82% are the lowest since the beginning of 2022.*
- *Spread levels remain significantly below long-term averages, which is an indication that corporate bonds are relatively expensive in relationship to comparable Treasuries.*



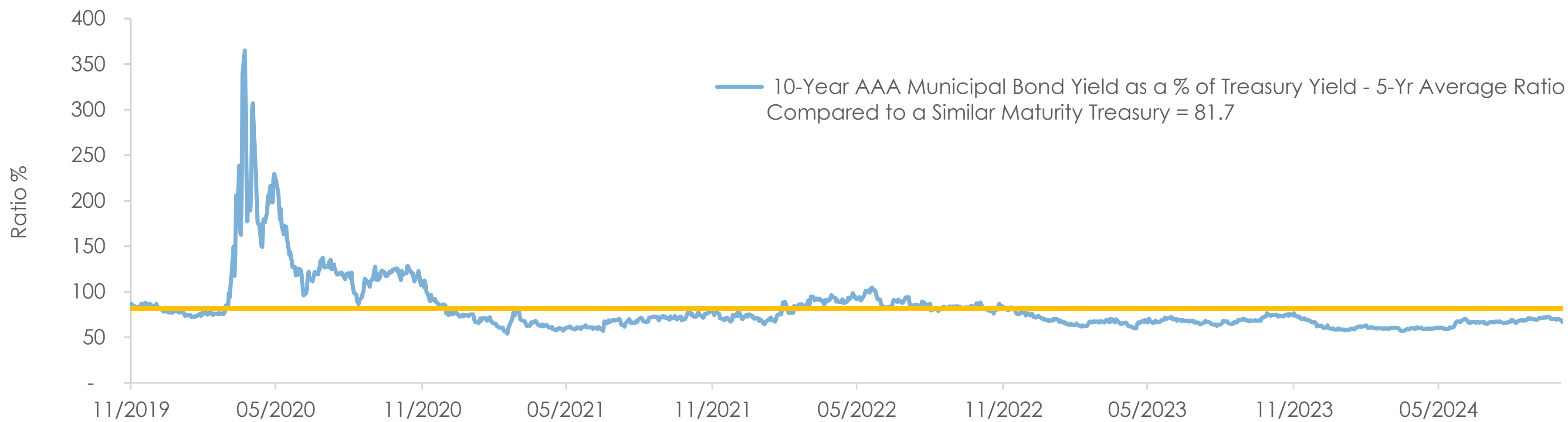


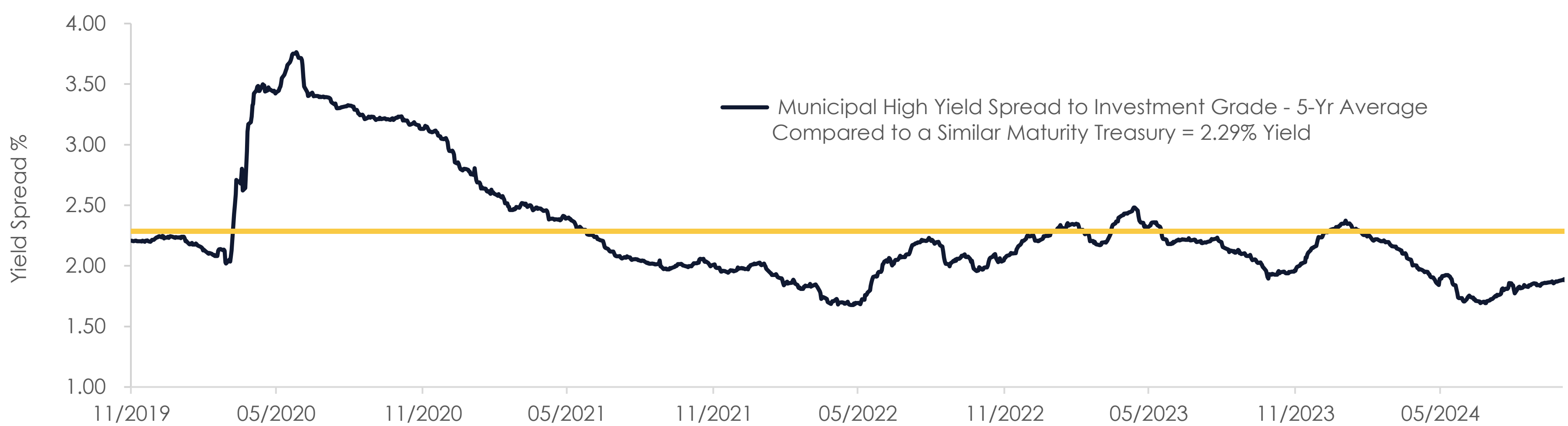
Source: Bloomberg as of October 31, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Municipal Bond Spreads

- *Investment grade municipal bond spreads were little changed during most of the month despite higher-than-normal new issuance.*





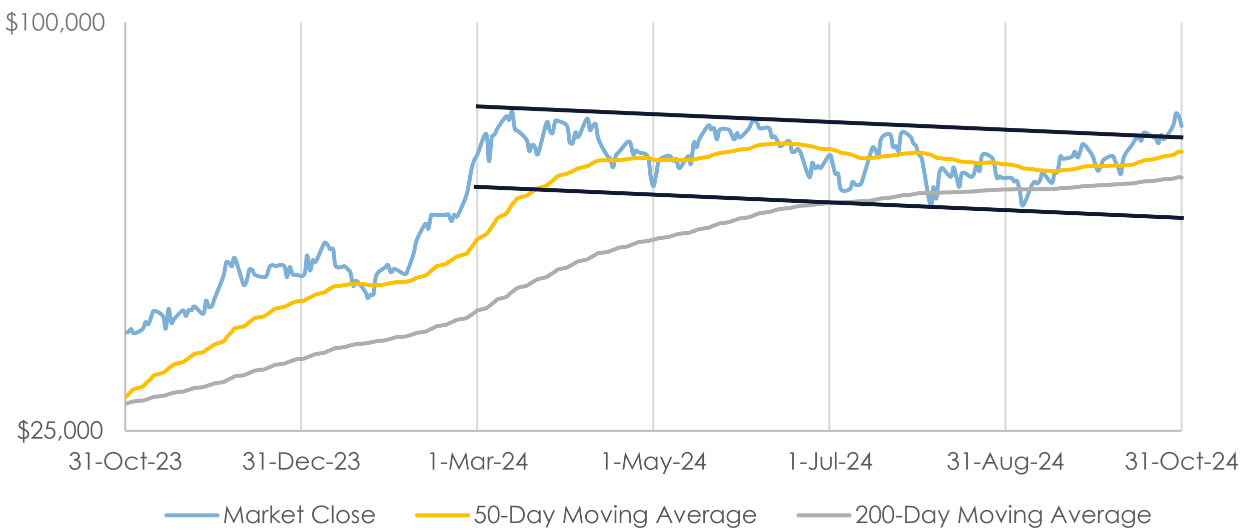
Source: Bloomberg as of October 31, 2024.

Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NARREIT	775.10	-2.90%	12.56%	36.66%
FTSE NARREIT - Timberland	158.93	-7.22%	-8.17%	12.74%
Bloomberg Commodity Index	98.10	-2.24%	-0.56%	-6.22%
Crude Oil (WTI) [bbl.]	69.26	2.20%	-1.48%	-8.50%
Natural Gas [MMBtu]	1.82	-31.32%	-29.46%	-45.51%
Copper [lb.]	9,506.00	-3.29%	11.06%	17.21%
Gold [oz.]	2,743.97	4.15%	33.01%	38.31%
Silver [oz.]	32.66	4.82%	37.26%	42.97%
Bitcoin	69,937.51	9.65%	64.53%	101.84%
Ethereum	2,517.78	-3.67%	10.32%	38.74%

- ***Summary:*** A mixed month for most real assets, but especially positive for precious metals and cryptocurrencies. Industrial metals, crude oil and real estate were all laggards for the month of October.
- ***Precious Metals/Crypto:*** Despite the strength of the U.S. dollar, precious metals and cryptocurrencies had a huge month. Palladium and Bitcoin were up better than 9%, and Silver, Gold and Platinum were all positive.

Bitcoin Booming Again*



- After more than seven months of consolidation, Bitcoin appears to be breaking out and eyeing all-time closing highs just short of $74,000.
- Easing monetary policy in the U.S., China and other major central banks around the world, in combination with improving liquidity conditions, appear to be creating the tailwinds to push cryptocurrencies to new all-time highs as we head into the final quarter of 2024.

Source: Bloomberg as of October 31, 2024. *Source: FactSet as of October 31, 2024.

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Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	832.30	-2.21%	-2.21%	16.42%	33.27%	5.98%	11.61%
U.S. Equity							
S&P 500	5,705.45	-0.92%	-0.92%	20.96%	37.87%	9.05%	15.23%
Russell 1000	3,120.81	-0.70%	-0.70%	20.33%	37.93%	8.10%	14.96%
Russell Mid Cap	3,504.10	-0.54%	-0.54%	14.01%	35.26%	3.52%	10.91%
Russell 2000	2,196.65	-1.44%	-1.44%	9.56%	33.95%	-0.08%	8.46%
International Equity							
MSCI ACWI ex US	336.16	-4.86%	-4.86%	9.07%	24.83%	2.06%	6.33%
MSCI EAFE	2,332.94	-5.43%	-5.43%	7.29%	23.43%	3.16%	6.85%
MSCI Europe	169.29	-5.73%	-5.73%	6.58%	23.05%	3.68%	7.56%
MSCI Japan	1,660.41	-3.75%	-3.75%	8.25%	22.74%	2.88%	5.65%
MSCI Emerging Markets	1,119.52	-4.32%	-4.32%	12.08%	25.75%	-1.08%	4.30%
Global Fixed Income							
Bloomberg US Corporate High Yield	2,663.98	-0.54%	-0.54%	7.42%	16.42%	2.97%	4.54%
Bloomberg Municipal Bond Index	1,332.52	-1.46%	-1.46%	0.81%	9.67%	-0.30%	1.05%
Bloomberg US Corporate Total Return	3,310.14	-2.43%	-2.43%	2.77%	13.59%	-2.07%	0.54%
Bloomberg US Treasury Total Return	2,308.14	-2.38%	-2.38%	1.36%	8.39%	-2.54%	-0.70%
Bloomberg Global Aggregate	472.13	-3.35%	-3.35%	0.12%	9.52%	-4.07%	-1.64%
Bloomberg U.S. Aggregate	2,202.17	-2.48%	-2.48%	1.86%	10.52%	-2.20%	-0.23%
Bloomberg Gov't/Credit	2,556.48	-2.38%	-2.38%	1.90%	10.20%	-2.31%	-0.13%
Bloomberg High Yield Municipal Bond Index	456.04	-1.52%	-1.52%	5.84%	17.42%	0.67%	2.71%

Source: Bloomberg as of October 31, 2024.

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2024 Tactical Views

Asset Class	**Underweight**		**Neutral**		**Overweight**
Cash	•	●	•	•	•
Equities	•	•	●	•	•
U.S. Large Cap	•	•	•	●	•
U.S. Mid Cap	•	•	•	●	•
U.S. Small Cap	•	•	•	●	•
Developed Int'l	•	●	•	•	•
Emerging Markets	•	●	•	•	•
Fixed Income	•	•	●	•	•
U.S. Government	•	•	•	●	•
MBS	•	•	•	●	•
Corporates	•	•	●	•	•
Municipals	•	•	•	●	•
High Yield	•	●	•	•	•
Developed Int'l	•	●	•	•	•
Emerging Markets	•	●	•	•	•
Real Assets	•	•	●	•	•
Commodities	•	•	●	•	•
Timberland	•	•	●	•	•
Private Real Estate	•	•	●	•	•
Alternatives	•	•	•	●	•
Hedge Funds	•	•	●	•	•
Private Equity	•	•	•	●	•
Private Debt	•	•	●	•	•

Equity Sectors	**Underweight**		**Neutral**		**Overweight**
Energy	•	•	•	●	•
Healthcare	•	•	•	●	•
Consumer Discretionary	•	●	•	•	•
Industrials	•	•	●	•	•
Technology	•	•	•	●	•
Communications	•	•	●	•	•
Financials	•	•	●	•	•
Real Estate	•	•	•	●	•
Utilities	•	●	•	•	•
Materials	•	•	●	•	•
Consumer Staples	•	•	●	•	•

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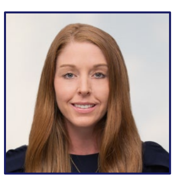

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg US Aggregate Total Return Index USD
High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long
Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
Real Assets: S&P Real Assets
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged
U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD
U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index
U.S. All Cap: Russell 3000 Total Return Index
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
US Value: Russell 3000 Value Total Return Index
US Growth: Russell 3000 Growth Total Return Index
Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index
Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index
Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index
Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index
Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index
EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index
EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index
EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index
EM Value: MSCI Emerging Markets Value Net Total Return USD Index
EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.

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