

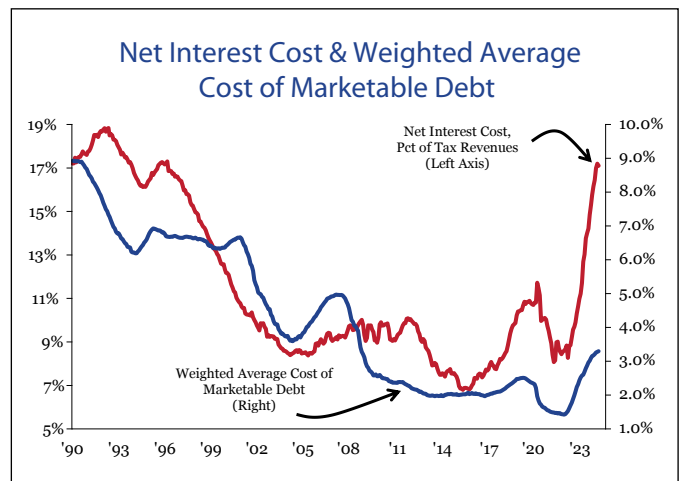


### Economic Summary

The third quarter saw a barrage of headline risks, including two assassination attempts on a former President running for office, the current President's unexpected withdrawal from the race, a rapid appreciation of the Japanese Yen that triggered an equity market sell-off in early August, and escalating hostilities in the Middle East. Given these events, one might have expected a sharp stock market decline. However, as the old Wall Street adage goes, "stocks climb a wall of worry," and that was certainly the case in the third quarter, as markets remained resilient despite the turmoil.

With inflation readings nearing the Federal Reserve's 2% target and unemployment figures rising, the Fed cut short-term interest rates by 50 basis points (0.5%) in September and signaled more cuts on the horizon. Regardless of the timing and magnitude of future rate adjustments, it's clear that the Fed has entered a period of monetary easing for the foreseeable future.

The upcoming presidential election is shaping up to be one of the most contentious in history, as both candidates intensify efforts to energize their respective bases ahead of November 5th. The ideological divide between them is stark, and they differ on nearly every issue except for one: deficit spending. Regardless of who wins, the nation's growing debt burden is set to expand further. The sheer scale of this debt is nearly incomprehensible, and the cost of servicing it is consuming an increasing share of tax revenues (CHART 1).



**Chart 1**

SOURCE: STRATEGAS RESEARCH PARTNERS  
"QUARTERLY REVIEW IN CHARTS" - OCTOBER 4, 2024

**Past performance does not guarantee future results.**

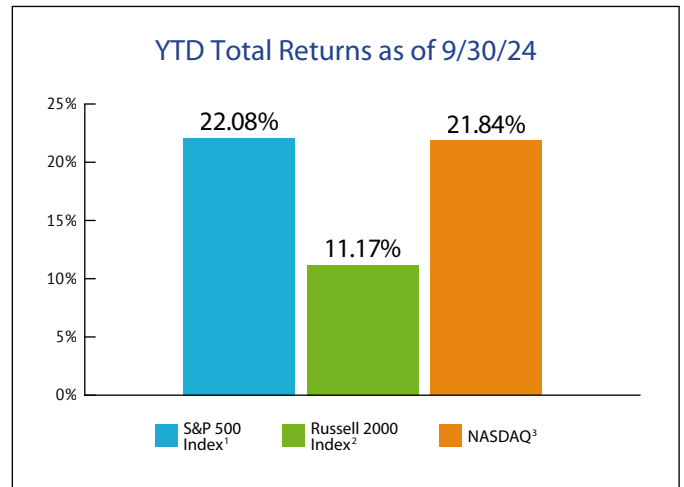
As more debt is issued, it begins to crowd out productive investment, which is a worrisome trend for future growth.

### **The Stock Market**

Equity markets delivered robust returns in the third quarter, with some previously lagging indexes making significant gains. Notably, the small-cap-centric Russell 2000<sup>®</sup> achieved a total return of 9.3% during the quarter. In comparison, the large-cap S&P 500<sup>®</sup> posted a total return of 5.9%, while the technology-heavy NASDAQ rose by 2.8%. Despite the strong quarterly performance of the Russell 2000<sup>®</sup>, the NASDAQ and S&P 500<sup>®</sup> remain well ahead of the small-cap index on a year-to-date basis (CHART 2).

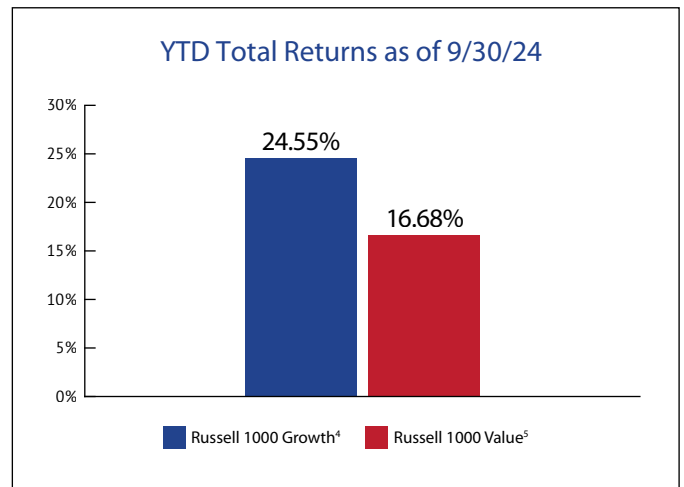
Value stocks closed the gap with growth stocks during the quarter, as the Russell 1000<sup>®</sup> Value Index delivered an impressive return of 9.4%, outperforming the 3.2% gain by the Russell 1000<sup>®</sup> Growth Index. However, despite this strong showing from value stocks, the Growth Index still maintains a substantial lead year-to-date (CHART 3).

At the sector level for the S&P 500<sup>®</sup>, Utilities, Real Estate, and Industrials were the top performers in the third quarter, delivering returns of 19.4%, 17.2%, and 11.5%, respectively. Conversely, the Energy,



**Chart 2**

SOURCE: MORNINGSTAR DIRECT



**Chart 3**

SOURCE: MORNINGSTAR DIRECT

**Past performance does not guarantee future results.** You cannot invest directly in an index.

<sup>1</sup> The S&P 500<sup>®</sup> Index is a capitalization weighted unmanaged index of 500 widely traded stocks, created by Standard & Poor's. The index is considered to represent the performance of the stock market in general.

<sup>2</sup> The Russell 2000<sup>®</sup> Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000<sup>®</sup> Index.

<sup>3</sup> The NASDAQ Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange (more than 2500 stocks).

<sup>4</sup> The Russell 1000<sup>®</sup> Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values.

<sup>5</sup> The Russell 1000<sup>®</sup> Value Index Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> companies with lower price-to-book ratios and lower expected growth values.



Information Technology, and Communication Services sectors lagged, posting returns of -2.3%, 1.6%, and 1.7%, respectively.

### ***The Bond Market***

In the third quarter, the yield on the 10-year U.S. Treasury Note dropped from 4.4% at the beginning to 3.8% by the end, with most of the decline occurring in anticipation of the Federal Reserve's mid-September meeting. Investors are increasingly factoring in the likelihood of future rate cuts, as inflation seems to be under control and unemployment rates are rising. These factors could give the Fed more room to continue easing monetary policy through further short-term rate cuts.

Corporate credit spreads persist at historically narrow levels, bolstered by robust corporate earnings and healthier balance sheets. As emphasized last quarter, investors in corporate bonds should exercise caution when increasing their exposure to corporate credit.

#### **Past performance does not guarantee future results.**

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