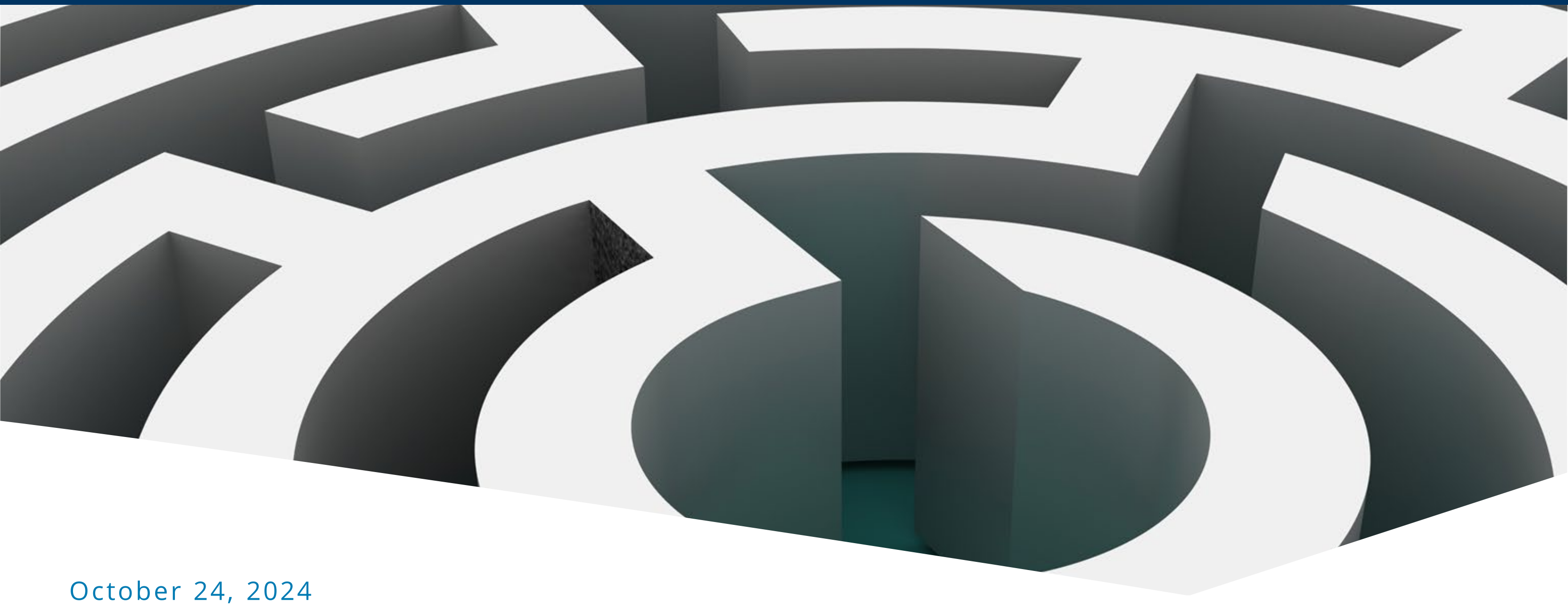


October 24, 2024

MARKET UPDATE: PRE-ELECTION INSIGHTS

- Both equity and fixed income markets broadly moved higher throughout the 3rd quarter, building on a strong first half.
- Large cap value stocks, small cap stocks, and international markets emerged as the standout performers, contrasting with trends seen in the first half of the year, where US large cap growth stocks dominated.

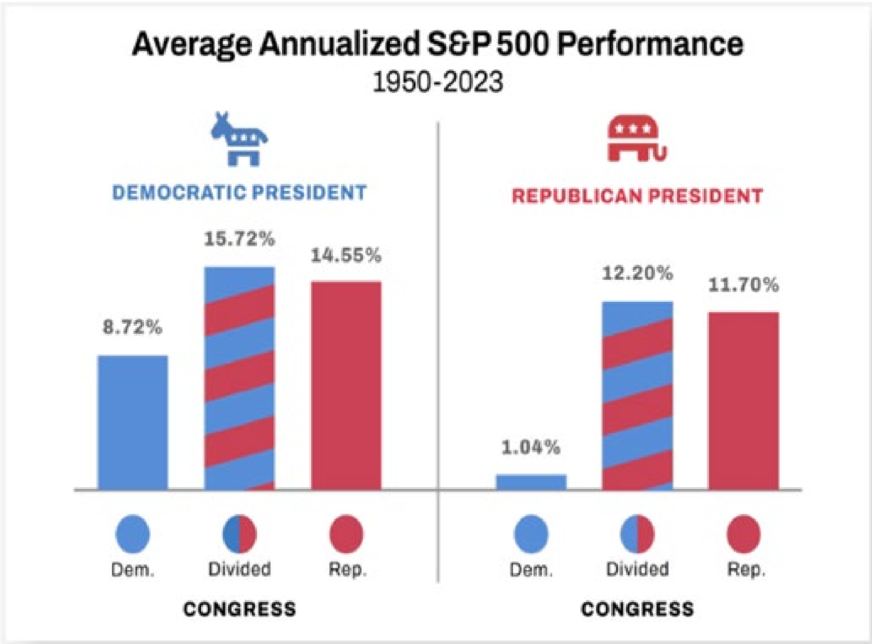
	Category	Index	3 Mo.	YTD
US Equities	Large Blend	S&P 500	5.89%	22.08%
	Large Value	Russell 1000 Value	9.43%	16.68%
	Large Growth	Russell 1000 Growth	3.19%	24.55%
	Small Blend	Russell 2000	9.27%	11.17%
International	Int'l Developed	MSCI EAFE	7.33%	13.50%
	Emerging Mkts	MSCI EM	8.88%	17.24%
Fixed Income	US Total Bond	BBgBarc Aggregate Bond	5.20%	4.45%
	Municipal Bonds	BBgBarc Municipal Bond	2.71%	2.30%
	US High Yield	BBgBarc US High Yield Corp.	5.28%	8.00%

- *The market rotation in the 3rd quarter is a welcome sight and is a positive for the overall health and continued strength of the stock market. We have highlighted the need for broader market participation and have positioned portfolios for this reality.*

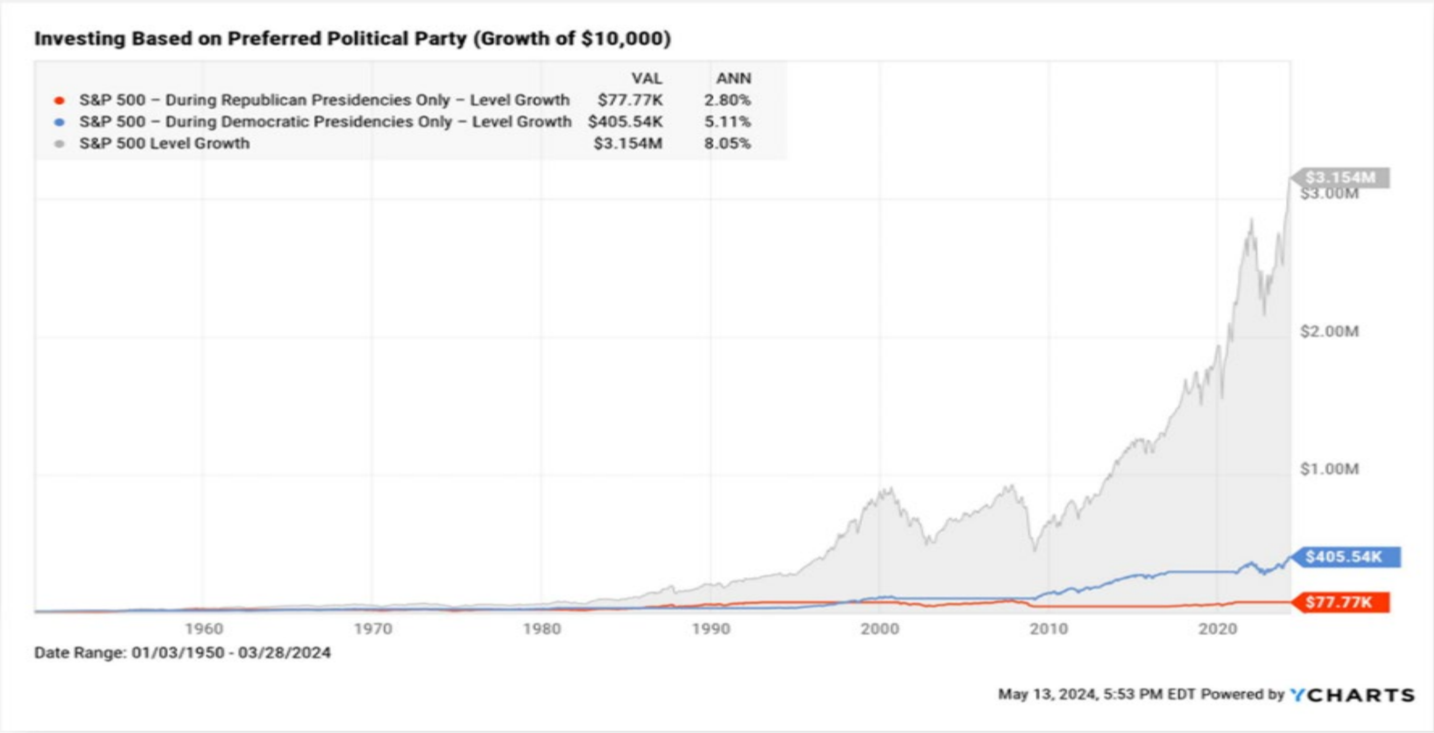
Election Time

- As we enter the 4th quarter, our focus turns to the election and its impact on the longer-term market trajectory. While rhetoric has grabbed headlines to this point, the conclusion to the election will allow us to fully evaluate what the next 2 years of fiscal policy will look like.

- The presidential race is polling very closely, with critical battleground states set to play pivotal roles in determining the election outcome. While all races are tight, it appears that we are headed towards a split government with the house and the senate appearing to favor opposite parties.
- *A split government has historically been the best scenario for equity markets no matter who the president is. While there is always a chance for surprises on election night, we believe that clear results in the house and senate (provided that the parties are split) would be a positive for equity markets.*



- *Evidence from past election cycles shows that making investment decisions based on political preferences often leads to suboptimal returns, underscoring the need for a disciplined investment strategy that focuses on fundamentals rather than politics.*



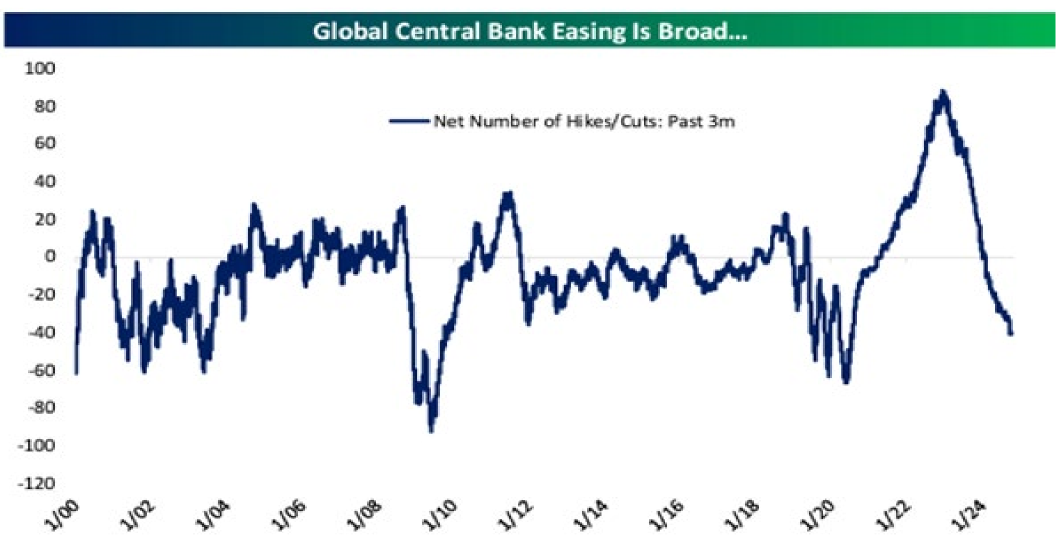
- One of the key policy implications of this election revolves around potential adjustments to the Tax Cuts and Jobs Act of 2017, particularly in areas affecting corporate tax rates and individual tax incentives, which we are monitoring closely given the implications for markets and client portfolios.

A Buy Everything Moment?

- The international equity market performance in Q3 was driven heavily by China's stimulus announcements in September. These are aimed at revitalizing its economy, which includes support and incentives for financial institutions, consumers, homeowners, and capital markets.
- The announcements have led some to call it a "buy everything moment" in China, as this is a clear shift in policy from China's central bank and government.
- *Throughout recent history, there has been a material contrast between what China's central bank has announced and what they have actually done. We believe that a well diversified portfolio should have some exposure to international markets, however we would stop well short of calling this a "buy everything moment". We continue to watch this development in China with a focus on concrete evidence of stimulus measures within their real economy.*

Bring Back the Punch Bowl

- *Central banks globally have entered rate cutting cycles which should serve as a tailwind to global GDP and provide a strong backdrop for both equities and fixed income.*



- What was most noteworthy in their recent statement was the shift in language to once again emphasize their dual mandate of price stability and full employment. For the last few years, the Fed's focus was predominantly on price stability and reducing inflation.
- *We view the Fed's policy action as becoming "less restrictive" rather than "accommodative". This is an important point as they continue to fight to get inflation down to their 2% target. If the Fed cuts too quickly, we could see inflation start to rise again, which would have an adverse impact on both fixed income and equity markets. We are watching these economic data points closely and would look to derisk if necessary.*

Takeaways

- *The election, China's impact on the global economy, and the Fed's policy shift are some major topics that we are focusing on in the fourth quarter.*
- *We continue to watch equity markets for broader participation and more appropriate valuations.*
- *On the fixed income side, given the rate cuts already priced into the market, we are finding it prudent to retain a benchmark or slightly shorter than benchmark duration target.*

As always, thank you for the trust you place in us! Please reach out to your advisor with any questions and we'll be happy to answer them.

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