

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- The Institute of Supply Management (ISM) released its September services sector reading. The headline index came in at 54.9, slightly better than the forecast. The latest reading moves the index back into expansion territory for the 49th time in the past 50 months.
- The Institute for Supply Management (ISM) manufacturing sector reading stayed at 47.2 in September and remains in contraction territory for a sixth straight month. The index has now contracted for 22 of the past 23 months. The latest reading was below the forecast of 47.6.
- The September jobs report showed that employers added 254,000 positions last month, topping all estimates. Hiring in both July and August was revised up. The unemployment rate declined to 4.1%.
- In the week ending September 28, the advance figure for seasonally adjusted initial claims was 225,000. The 4-week moving average was 224,250. The previous week's average was revised up from 224,750 to 225,000.

How do the ISM Services, ISM Manufacturing, and jobs reports impact you?

- The ISM Manufacturing Price Index slipped into contraction at 48.3 for the first time since December 2023, signaling easing price pressures—a welcome sign for lower materials costs. This coupled with, the U.S. services sector hitting an 18-month high in September, fueled by growth in new orders, shows the economy remained resilient through Q3.
- Further stability came from labor market developments. Dockworkers ended their three-day strike, which threatened to paralyze U.S. trade on the East and Gulf coasts. The initial strike brought concerns of potential labor shortages.
- Looking at the labor market's broader historical context, the U.S. civilian labor force has more than doubled from 76.5 million in 1967 to over 168 million today. The current ratio of initial unemployment claims to the total workforce stands at just 0.14%, meaning 14 workers out of 10,000 are applying for unemployment—an extremely low number compared to the all-time high of 2.997% in April 2020. It's also only slightly above the record low of 0.122% set in October 2022.
- In short, while price pressures ease, the combination of a surging services sector and a historically strong labor market keeps the economy on solid ground heading into the final quarter of the year



A LOOK FORWARD¹

- Next week, all eyes will be on the Consumer Price Index (CPI) and Producer Price Index (PPI) data set to be released on Thursday and Friday.

How do CPI and PPI impact you?

- If inflation remains in line with expectations, it provides further proof that price pressures are easing, supporting the Fed's decision to keep cutting rates. However, any upside surprise in inflation could raise concerns, potentially slowing the pace of cuts



MARKET UPDATE²

Market Index Returns as of 10/4/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.26%	-0.17%	21.87%	37.04%	11.51%	16.12%
NASDAQ	0.12%	-0.27%	21.51%	38.24%	8.77%	18.78%
Dow Jones Industrial Average	0.13%	0.09%	14.03%	30.42%	9.48%	12.07%
Russell Mid-Cap	-0.07%	-0.22%	14.39%	31.92%	5.33%	11.50%
Russell 2000 (Small Cap)	-0.48%	-0.76%	10.32%	29.67%	1.22%	9.54%
MSCI EAFE (International)	-3.73%	-2.25%	10.45%	24.92%	4.97%	8.10%
MSCI Emerging Markets	0.42%	0.73%	17.72%	30.04%	1.09%	5.99%
Bloomberg Barclays US Agg Bond	-1.24%	-1.01%	3.40%	11.33%	-1.70%	-0.02%
Bloomberg Barclays High Yield Corp.	-0.15%	-0.17%	7.82%	16.97%	3.07%	4.78%
Bloomberg Barclays Global Agg	-1.75%	-1.58%	1.96%	11.10%	-3.58%	-1.30%



OBSERVATIONS

- Stocks had another positive week on the back of strong labor market data.
 - Markets returns were similar across the board, with the tech-heavy NASDAQ returning (+0.12%), the S&P 500 returning (+0.26%), and the Dow Jones (+0.13%).
 - Mid-Caps and small caps lagged on the week returning -0.07% and -0.48%, respectively.
- Developed international markets significantly underperformed on the week returning -3.73%. Emerging markets on the other hand outperformed domestic equities, returning +0.42%.
- Interest rates rose as stronger than anticipated labor data could lead to fewer interest rate cuts. U.S. bonds fell -1.25% on the week, while international bonds fell -1.75%.
 - Credit spreads remained strong, allowing for relative outperformance of higher yield bonds, which fell only -0.15%.



BY THE NUMBERS

- **Hurricane Helene and the Economic Impact:** Helene already ranks in the top 10 deadliest storms in mainland United States history. The number of victims could continue to grow as cleanup and rescue operations continue. Moody's Analytics predicts Hurricane Helene will cause \$15 to \$26 billion in property damage alone, and AccuWeather estimates the total damage, and economic loss could cost up to \$110 billion. These figures would make Helene one of the most expensive storms in the country's history. Only about 6% of U.S. homeowners have flood insurance through either a private company or the congressionally funded National Flood Insurance Program, despite 90% of natural disasters involving flooding. As government officials assess the full scale of Helene's damage, they are expressing an increasing need for Congress to pass a supplemental disaster relief funding package, which was stripped out of Congresses initial stopgap funding bill.³
- **Northern Students Increasing Prefer to go to School in the South:** High school seniors in the Northeast of the United States are increasingly looking south for school. The number of Yankees going to Southern public schools was up 84 percent over the past two decades and increased 30 percent from 2018 to 2022. Mississippi has seen the number of freshmen who come from the Northeast increase by 797 percent from 2002 to 2022. Many are motivated by the national ascent of college football, as what was once a regional sport has gone thoroughly national following several high-dollar broadcasting deals and a tweak to the national playoff format. The other big reason? Southern schools can be a comparative bargain compared to the alma maters of the Boston Brahmins, with Southern schools among the nation's top 100 public research universities and charging a median of \$29,000 in tuition and fees. Finally, even the Deep South can experience the joy of realizing that about half your freshman hall is, in fact, also from a New Jersey high school.⁴

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 9/27/2024

² Data obtained from Morningstar as of 9/27/2024

³ <https://www.cnbc.com/2024/10/03/hurricane-helene-recovery-economic-insurance-cost-congress-funding.html>

⁴ [Northern students increasingly prefer going to colleges in the South \(msn.com\)](https://www.msn.com/en-us/news/northern-students-increasingly-prefer-going-to-colleges-in-the-south)