

# Weekly Market Recap

October 21, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 <sup>®</sup> Index	5,865	0.9%	23.0%
Dow Jones Industrial Average	43,276	1.0%	14.8%
NASDAQ	18,490	0.8%	23.2%
Russell 2000 <sup>®</sup> Index	2,276	1.9%	12.3%
MSCI EAFE Index	2,400	-0.8%	7.3%
Ten-Year Treasury Yield	4.08%	0.0%	0.2%
Oil WTI <sup>1</sup> (\$/bbl <sup>2</sup> )	\$68.80	-8.9%	-4.0%
Bonds <sup>3</sup>	\$99.52	0.0%	2.9%

<sup>1</sup>WTI = West Texas Intermediate Oil. <sup>2</sup>bbl = Barrel. <sup>3</sup>Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

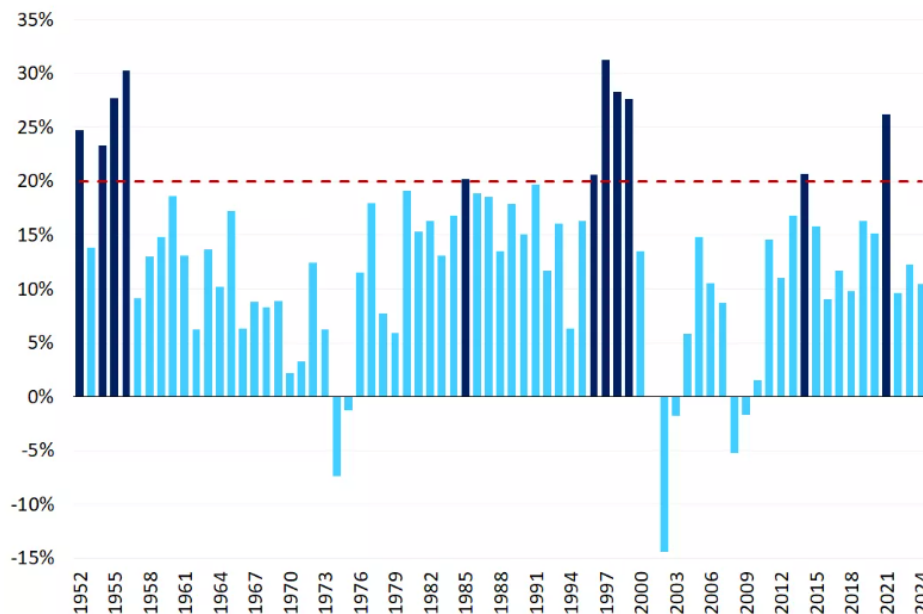
## Last Week:

### U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +1.1% as the narrative for an economic soft/no-landing continued to gain support from Thursday's strong September retail sales, initial jobless claims were below analysts' expectations, and the October Philly Federal Reserve (Fed) Manufacturing Index was stronger than expected. Atlanta Fed's GDPNow estimate continues to creep up with Q3 expecting a growth of +3.4%. Q3 earnings season continues to be positive with +3.4% year-over-year growth (14% of the S&P 500 Index has reported). The 10-year Treasury yield fell to 4.08% from a 4.09% level. Gold rose +2.0% and WTI crude fell -8.9% amid easing Middle East tensions.
- S&P 500 Index Sector Returns:
  - Utilities (+3.4%), real estate (+3.0%), and consumer staples (+0.6%) rose, along with U.S. markets.
  - Financials (+2.4%) rose, with strength asset managers, banks, and insurance stocks.
  - Materials (+1.9%) rose, led by precious metals miners.
  - Consumer discretionary (+1.2%) rose, led by homebuilders, retailers, and autos.
  - Technology (+0.8%) rose, with strength from consumer electronics and semiconductors.
  - Industrials (+0.6%) rose, led by airlines and transports.
  - Communication services (+0.4%) rose, led by streaming and telecom stocks.
  - Healthcare (-0.6%) fell, led lower by managed care stocks.
  - Energy (-2.6%) fell, as the price of WTI dropped -8.9% on easing Middle East tensions.

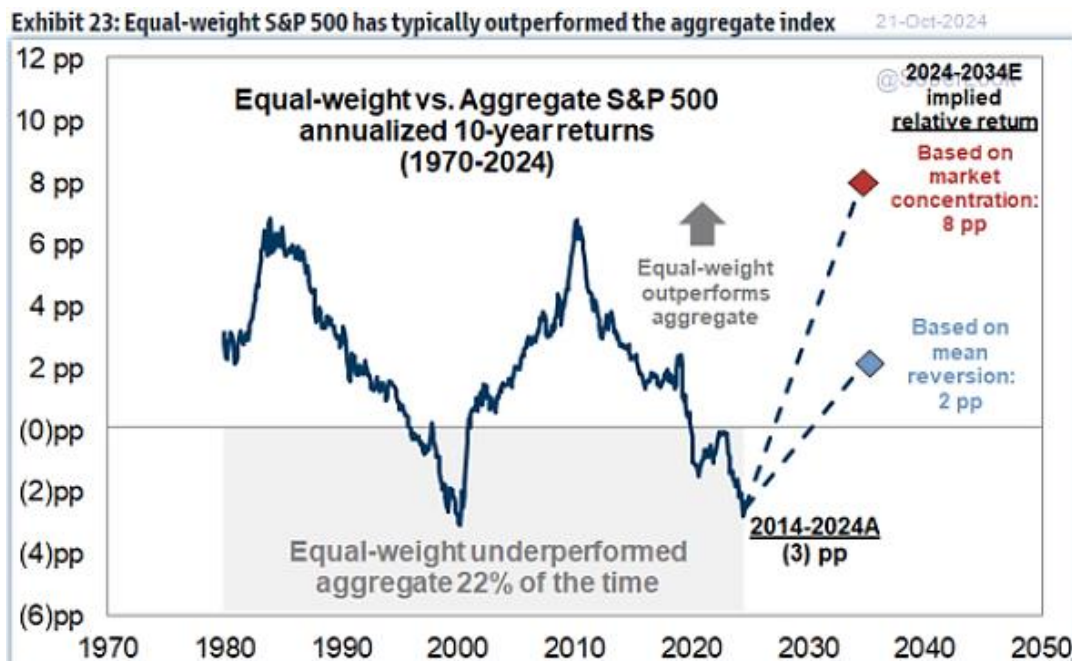
- Despite the strong returns in 2024, the current three-year return for the S&P 500 Index is +11% and is typical of a three-year return, although it is well below previous three-year returns of 20% or more.

**S&P 500 Rolling 3-year Average Returns (%)**



Sources: Bloomberg L.P.; Edward Jones.

- Historically, the S&P 500 Equal-Weight Index (EWI) has outperformed the S&P 500 Index in 78% of 10-year periods since 1980. Based on the elevated market concentration, Goldman Sachs estimates the S&P 500 EWI may outperform the S&P 500 Index by +8.00% annualized. Based on a reversion to the mean, Goldman Sachs estimates the S&P 500 EWI may outperform the S&P 500 Index by +2.00% annualized over the next ten years.



Y-axis: percentage points (pp) of outperformance/underperformance. Sources: Goldman Sachs; The Daily Shot.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 6-7.

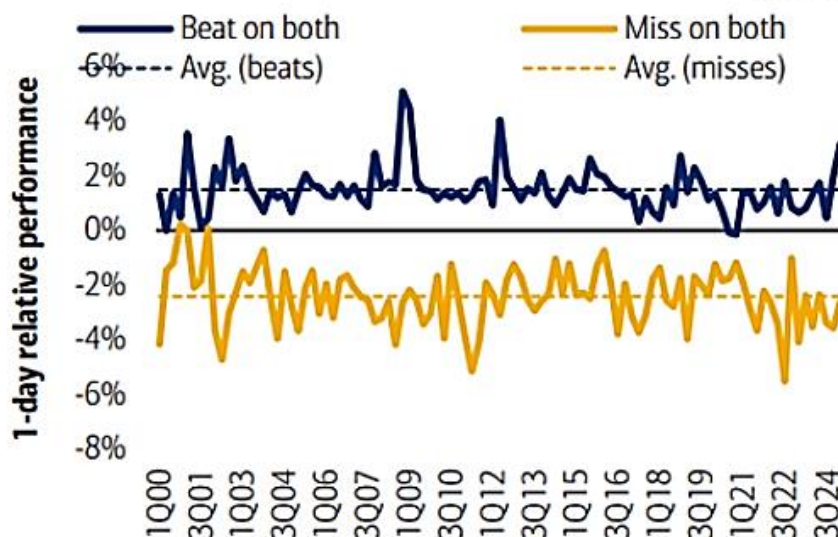
- Over the last year, the momentum factor has outperformed.



Sources: Bloomberg L.P.; The Daily Shot.

- Thus far, Q3 earnings season has seen the most positive reactions (stock increases) to companies beating earnings estimates since Q212.

**Exhibit 5: Most positive reactions to beats since 2Q12 so far**  
 Rel. 1-day post-reporting performance (vs. S&P 500) on EPS & sales surprise (1Q00-3Q24 as of 10/18/24)

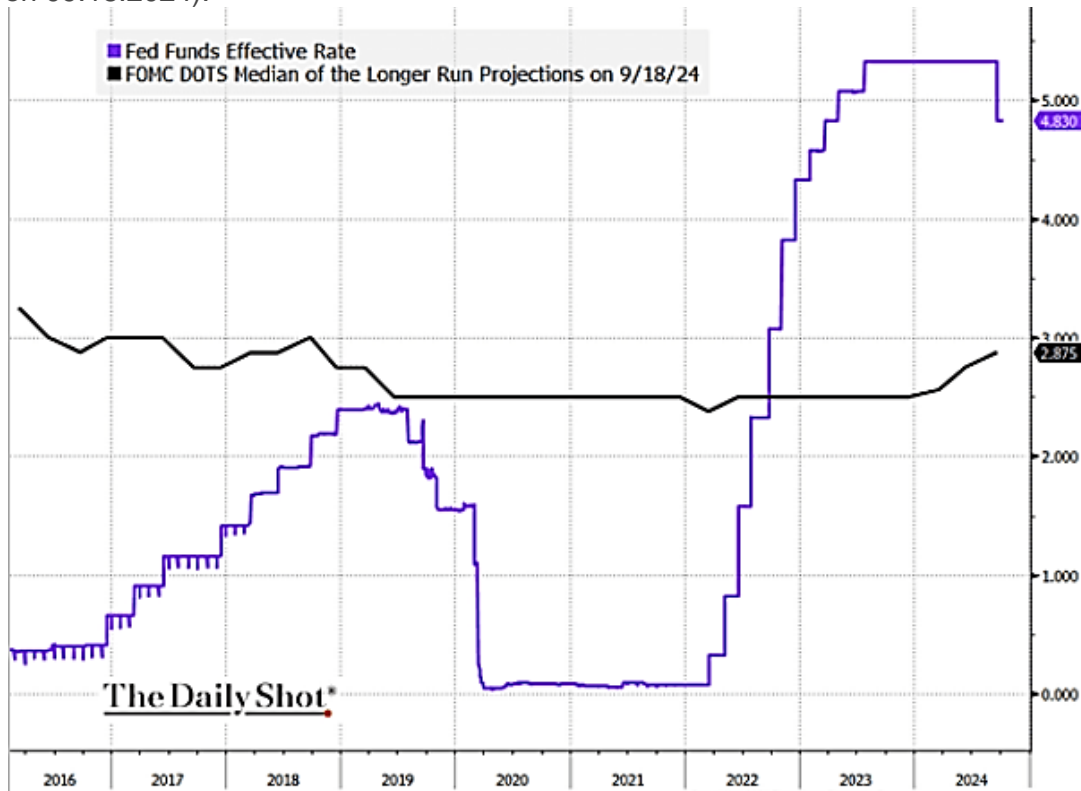


EPS: earnings per share. Sources: Bank of America; The Daily Shot.

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## Fixed Income Markets

- The current fed funds rate is about +2.0% above the Fed's estimate of the long-run overnight rate (Federal Open Market Committee (FOMC) Direction of Trade Statistics (DOTS) Median of the Longer Run Projections on 09.18.2024).

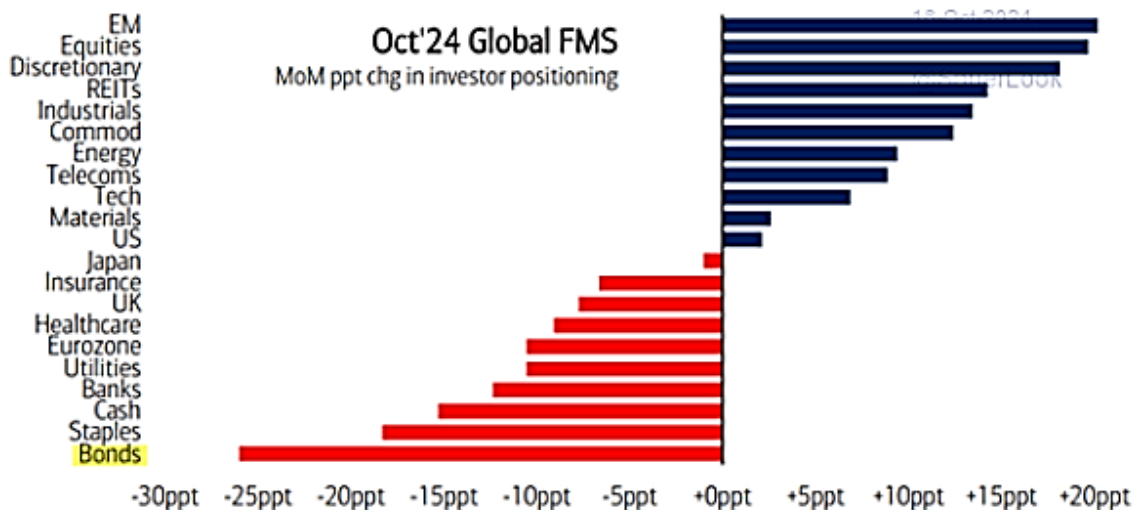


Sources: Bloomberg L.P.; The Daily Shot.

- Bank of America's clients are adding to emerging markets and equities while reducing exposure to bonds, consumer staples, and cash.

### Chart 20: October rotation out defensives & banks and into cyclicals & tech

Monthly change in FMS investor positioning



EM: emerging markets; FMS: fund manager survey; MoM: month over month; REITs: real estate investment trusts. Sources: Bank of America; The Daily Shot.

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## U.S. Economic and Political News

- October's N.Y. Fed Empire Manufacturing Index turned negative.

## International Markets and News

- European markets (STOXX 600 Index) rose +0.6% as the second consecutive interest rate cut by the European Central Bank (ECB) increased expectations for further easing of monetary policy from the ECB.
- The Chinese stock market (Shanghai Composite) rose +1.4% as China's Q3 gross domestic product (GDP) rose +4.6% year-over-year, which beat analysts' expectations.
- Japanese equities (Nikkei 225 Index) fell -1.6% as Japan's core Consumer Price Index (CPI) showed inflation easing in September and Japanese exports for September fell -1.7%.

## This Week:

- The volume of corporate earnings reports will be moderate this week.
- Economic data:
  - Monday: Leading Indicators;
  - Tuesday: Philly Fed President Patrick Harker Speaking Engagement, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Existing Home Sales; Fed Governor Michelle Bowman Speaking Engagement, Department of Energy (DOE) Crude Inventories;
  - Thursday: Manufacturing/Services Purchasing Managers' Index (PMI), New Home Sales, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Durable Orders, Michigan Consumer Sentiment (Final).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®  
Executive Director

Griffith Jones, Jr.  
Executive Director



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**The S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

**The S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

**The S&P 500® Momentum** is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance.

**The Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

**The Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

**The NASDAQ Composite Index** is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

**The MSCI EAFE Index** is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**The STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**The Nikkei 225** is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

**The Shanghai Stock Exchange Composite Index** is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

**Technical Terms: The Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

**Earnings per share (EPS)** is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned. It's calculated by dividing the company's net income by the total number of outstanding shares. **The European Central Bank (ECB)** is the central bank responsible for monetary policy of the European Union (EU) member countries that have adopted the euro currency. This currency union is known as the eurozone and currently includes 19 countries. The ECB's primary objective is price stability in the euro area. **The eurozone**, officially known as the euro area, is a geographic and economic region that consists of all the European Union countries that have fully incorporated the euro as their national currency. As of 2022, the eurozone consists of 19 countries in the European Union (EU): Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain. Approximately 340 million people live in the eurozone area. **The federal funds rate** is the interest rate at which banks lend money to each other overnight. It's a key tool of the Federal Reserve to control the money supply and inflation, and it affects interest rates on loans, credit cards, and bank accounts. **GDPNow** is a running estimate of real gross domestic product (GDP) growth during the current quarter, as opposed to the official GDP numbers that are released by the U.S. Bureau of Economic Analysis (BEA) with a significant delay that can impact policy decisions. Many market participants closely follow the GDPNow estimates. **Gross domestic product (GDP)** is a measure of the total value of goods and services produced within a country during a specific period of time. It's the most common way to measure the size of an economy. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather

information on consumer expectations for the economy. The term **NY Empire State Index** refers to the result of a monthly survey of manufacturers in New York state. The survey is conducted by the Federal Reserve Bank of New York. The bank sends out the survey every month to business leaders who represent a wide swath of the manufacturing sector. The headline number for the index refers to the main index of the survey, which summarizes general business conditions in New York state. The index is widely watched for insights into the state and direction of manufacturing in New York state. **The overnight rate** is the interest rate that banks charge each other to borrow and lend money overnight. It's also known as the interbank rate. The overnight rate is typically the lowest interest rate available and is only accessible to the most creditworthy institutions. **The Philadelphia Federal Index (or Philly Fed Survey)** is a regional federal-reserve-bank index measuring changes in business growth. It is also known as the "Manufacturing Business Outlook Survey." **The Purchasing Managers' Index (PMI)** is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors. The indicator is compiled and released monthly by the Institute for Supply Management (ISM), a nonprofit supply management organization. **Real estate investment trusts (REITs)** are companies that own, operate, or finance income-producing real estate across a wide range of property sectors. These investments allow you to earn income from real estate without having to buy, manage, or finance properties themselves. (Technical definitions are sourced from Corporate Finance Institute.)

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