

MONTHLY MARKET PERSPECTIVES

October 2024

U.S. ECONOMY

- The unemployment rate fell to 4.2% in August from a near three-year high of 4.3% the prior month.
- Inflation, as measured by the consumer price index (CPI), fell to 2.5% on an annual basis, the smallest annual increase since February 2021.
- Consumer spending remains strong. Retail sales rose at a faster-than-expected pace (0.1%) in August.

U.S. EQUITY MARKETS

- The S&P 500 rose 2.14% but began the month with its largest weekly decline since March 2023, triggered by a cooling labor market and softer Purchasing Managers Index data prompting concerns about a faster-than-expected economic slowdown. However, equity markets recovered, reaching an all-time high by the end of the month, driven by a favorable CPI reading and the start of the Federal Reserve (Fed) easing. S&P 500 earnings grew 11.4% year-over-year in the second quarter, ahead of 8.6% expected at the beginning of the quarter.
- Small cap stocks (Bloomberg U.S. 2000) underperformed their large cap peers (Bloomberg U.S. 1000), 0.82% versus 2.12%, respectively. Large cap growth stocks (Bloomberg U.S. 1000 Growth Total Return Index) outperformed value stocks (Bloomberg U.S. 1000 Value Total Return Index), 2.65% versus 0.89%.

INTERNATIONAL MARKETS

- The MSCI EAFE Index, representing non-U.S. developed markets, rose 0.92% in September. The European Central Bank (ECB) cut interest rates and lowered 2024 growth forecasts, partially due to Germany's struggling economy.
- Emerging markets, represented by the MSCI Emerging Markets Index, rose 6.68% in September. This was led by Chinese markets rising 23.9% over the month on the announcement of an aggressive stimulus package to revive the economy and prevent a deflationary spiral.

FIXED INCOME

- Treasury yields fell during the month. The two-year U.S. Treasury yield ended the month down 28 basis points (bps) at 3.64%, while the 10-year fell 12 bps to 3.78%. The 2-10 spread (the difference between the 10-year Treasury yield and two-year Treasury yield) widened to 14 bps in September.
- The Fed cut its funds rate by 50 basis points, as expected. The Fed released its updated Summary of Economic Projections (SEP), providing insight on the range of views of the members of the Federal Open Market Committee (FOMC). The median projection for the fed funds rate reflects two more 25 bps cuts this year and four in 2025. The median Personal Consumption Expenditures inflation projection for 2024 fell to 2.3% from 2.6% in June. The medium projection for our economy shows a GDP growth rate of 2.0%, slightly lower from June's projection of 2.1%. After the meeting, Fed Chairman Jerome Powell's said, "The U.S. economy is in good shape. It's growing at a solid pace. Inflation is coming down. The labor market is in a strong place. We want to keep it there."
- Investment-grade corporate spreads remained slightly narrowed and high-yield spreads narrowed. The Bloomberg U.S. Aggregate Index and the Bloomberg U.S. Corporate High Yield Index rose 1.34% and 1.62%, respectively.

CURRENCY/COMMODITIES/REAL ESTATE

- West Texas Intermediate (WTI) fell to \$68.17 a barrel, an annual low, despite the increase in Middle East tensions. Saudi Arabia said it plans to bring oil production online even if it leads to a prolonged period of lower prices.
- Gold prices rose in September, closing at \$2,634.58 oz., up 5.24%, hitting a record high on Fed rate cuts.
- The U.S. dollar fell against a basket of currencies, closing the month at 100.78 versus 101.70 in August.

STIFEL

North American Equity	MTD (%)	QTD (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)
Bloomberg U.S. 3000 Index	2.06	6.12	20.48	35.13	10.05	15.23
Standard & Poor's 500	2.14	5.89	22.08	36.35	11.91	15.98
Standard & Poor's/TSX (CAD)	3.15	10.54	17.24	26.74	9.52	10.95
U.S. Equity by Size/Style						
Bloomberg U.S. 1000 Index	2.12	5.94	21.04	35.57	10.57	15.53
Bloomberg U.S. 1000 Growth Index	2.65	4.87	23.33	39.79	10.39	17.89
Bloomberg U.S. 1000 Value Index	0.89	8.53	15.99	26.59	10.13	11.52
Bloomberg U.S. 2000 Small Cap Index	0.82	9.95	10.51	27.13	1.90	10.57
Bloomberg U.S. 2000 Small Cap Growth Index	0.93	8.93	11.37	27.43	-1.40	8.94
Bloomberg U.S. 2000 Small Cap Value Index	0.67	11.30	9.45	26.77	5.87	12.49
Bloomberg U.S. Micro Cap Index	-0.31	8.07	2.46	16.83	-9.97	8.65
International Equity (USD)						
MSCI AC World ex U.S.	2.69	8.06	14.21	25.35	4.14	7.59
MSCI EAFE	0.92	7.26	12.99	24.77	5.48	8.20
MSCI Europe	0.39	6.58	12.77	25.23	6.66	8.90
MSCI Pacific	7.41	14.29	15.09	28.20	4.80	6.33
MSCI Japan	-0.58	5.72	12.35	21.55	2.67	7.15
MSCI Emerging Markets	6.68	8.72	16.86	26.05	0.40	5.75
U.S. Fixed Income						
Bloomberg U.S. Treasury Bills: 1-3 Months	0.43	1.36	4.08	5.52	3.57	2.34
Bloomberg U.S. Aggregate	1.34	5.20	4.45	11.57	-1.39	0.33
Bloomberg Gov't/Credit	1.40	5.10	4.39	11.31	-1.50	0.41
Bloomberg Treasury	1.20	4.74	3.84	9.72	-1.78	-0.20
Bloomberg U.S. TIPS	1.50	4.12	4.85	9.79	-0.57	2.62
Bloomberg Municipal Bond Index	0.99	2.71	2.30	10.37	0.09	1.39
Bloomberg U.S. Credit	1.71	5.71	5.23	13.81	-1.12	1.07
Bloomberg Corporate High Yield	1.62	5.28	8.00	15.74	3.10	4.72
Real Estate/Commodities/Alternatives						
Wilshire U.S. Real Estate Securities Index	2.63	15.07	14.87	33.56	4.65	5.41
Wilshire Global ex U.S. Real Estate Securities Index	4.63	16.50	11.11	29.36	0.86	0.83
Wilshire Global Real Estate Securities	3.11	15.42	13.89	32.41	3.59	4.05
Bloomberg Commodity Index	4.86	0.68	5.86	0.96	3.66	7.79
S&P GSCI Commodity (S&P GSCI)	-0.08	-5.26	5.23	-6.06	8.81	8.03

Wilshire Liquid Alternatives Index	0.93	2.56	6.32	10.18	2.35	3.18
Wilshire Liquid Alternative Equity Hedge Index	0.90	3.45	11.34	17.27	6.27	6.70
Wilshire Liquid Alternative Event Driven Index	0.24	2.22	3.53	6.06	1.57	2.66
Wilshire Liquid Alternative Global Macro Index	1.20	-2.62	3.53	0.28	2.73	3.30
Wilshire Liquid Alternative Multi-strategy Index	0.83	1.58	7.02	10.47	2.67	3.02
Wilshire Liquid Alternative Relative Value Index	1.01	3.57	3.62	8.39	-0.19	1.15
Wilshire Focused Liquid Alternative Index	0.74	2.00	5.60	7.95	1.83	2.93

Source: Stifel Investment Strategy via Bloomberg as of September 30, 2024

*Represents annualized returns

DISCLOSURES

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Led by Stifel Chief Investment Officer Michael O’Keeffe, the Stifel CIO Office is comprised of several investment professionals. The team works collaboratively with other Stifel professionals to develop macroeconomic analysis, market analysis, strategic and dynamic asset allocation guidance, applied behavioral finance, and specific investment solutions for advisors and clients.

Asset Class Risks

Bonds – Bonds are subject to market, interest rate, and credit risk. Prices on bonds and other interest rate-sensitive securities will decline as interest rates rise. Municipal bonds may be subject to state and alternative minimum taxes, and capital gains taxes may apply. High yield bonds have greater credit risk than higher quality bonds. Yields and market values will fluctuate, and if sold prior to maturity, bonds may be worth more or less than the original investment.

Equities – Portfolios that emphasize stocks may involve price fluctuations as stock market conditions change. Small and mid-capitalization stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

International/Global/Emerging Markets – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Alternative Investments – Alternative investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing tax information, are not subject to the same regulatory requirements as more traditional investments, and often charge high fees, which may erode performance. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, and Hedge Funds. **Real Estate** – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance. **Commodities and Futures** – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains. **Hedge Funds** – Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.

Index Descriptions

The Bloomberg U.S. 3000 Total Return Index is a float market-cap-weighted benchmark of the 3,000 most highly capitalized U.S. companies.

The Standard & Poor’s 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The Standard & Poor's/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange with about 250 companies included in it.

The NASDAQ Composite Index is a capitalization-weighted index that is comprised of all stocks listed on the National Association of Securities Dealers Automated Quotation System stock market, which includes both domestic and foreign companies.

The Bloomberg U.S. 1000 Total Return Index is a float market-cap-weighted benchmark of the 1,000 most highly capitalized U.S. companies.

The Bloomberg U.S. 1000 Growth Total Return Index provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

The Bloomberg U.S. 1000 Value Total Return Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

The Bloomberg U.S. 2000 Total Return Index is a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the Bloomberg U.S. 3000 Index.

The Bloomberg U.S. 2000 Growth Total Return Index is a float market-cap-weighted equity benchmark derived from membership of the Bloomberg U.S. 2000 Index.

The Bloomberg U.S. 2000 Value Total Return Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

The Bloomberg U.S. Micro Cap Total Return Index is a float market-cap-weighted benchmark of those securities in the U.S. Aggregate Equity Index with a market capitalization ranking of lower than 2,500.

The MSCI World ex USA All Cap Index captures large, mid, small, and micro cap representation across 22 of 23 Developed Markets (D.M.) countries (excluding the United States). With 8,138 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country.

The MSCI EAFE Index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips, and foreign listings (e.g. ADRs).

The MSCI Europe Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of the developed markets in Europe.

The MSCI Pacific Index captures large and mid cap representation across five Developed Markets (D.M.) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI EM (Emerging Markets) Europe, Middle East and Africa Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East, and Africa.

The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related, and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and nonagency). Provided the necessary inclusion rules are met, U.S. Aggregate-eligible securities also contribute to the multicurrency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

The Bloomberg U.S. Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. It includes investment-grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related, and corporate securities.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible.

The Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The U.S. Treasury Index is a component of the U.S. Aggregate, U.S. Universal, Global Aggregate, and Global Treasury Indices.

The Bloomberg U.S. Treasury U.S. TIPS index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

The Bloomberg U.S. Municipal Index covers the U.S. dollar-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.

The Bloomberg U.S. Credit Index measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. It is composed of the U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals, and local authorities.

The Bloomberg U.S. Corporate High Yield Bond Index measures the U.S. dollar-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.

The Bloomberg Global Aggregate Bond 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.

The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes U.S. dollar-denominated debt from sovereign, quasi-sovereign, and corporate E.M. issuers.

The Wilshire U.S. Real Estate Investment Trust Index (Wilshire U.S. REIT) is a float-adjusted market capitalization-weighted index that measures U.S. publicly traded real estate investment trusts (REITs), excluding mortgage REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, hybrid REITs, and companies that have more than 25% of their assets in direct mortgage investments.

The Wilshire ex U.S. Real Estate Investment Trust IndexSM (Wilshire ex U.S. REIT) measures global publicly traded real estate investment trusts, less all U.S. securities. The Wilshire ex U.S. REIT is a subset of the Wilshire ex U.S. Real Estate Securities IndexSM (Wilshire ex U.S. RESI).

The Wilshire Global REIT Index is a float-adjusted, market capitalization-weighted index that measures global publicly traded real estate investment trusts (REITs), excluding mortgage REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, hybrid REITs, and companies that have more than 25% of their assets in direct mortgage investments.

Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted two-thirds by trading volume and one-third by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from the sixth to the tenth business day based on the roll schedule.

The S&P GSCI Crude Oil Index is a sub-index of the S&P GSCI Commodity Index. The production-weighted index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract.

The S&P GSCI (formerly the Goldman Sachs Commodity Index) serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. The index was originally developed by Goldman Sachs. In 2007, ownership transferred to Standard & Poor's, which currently owns and publishes it. Futures of the S&P GSCI use a multiple of 250. The S&P GSCI contains as many commodities as possible, with rules excluding certain commodities to maintain liquidity and investability in the underlying futures markets. The index currently comprises 24 commodities from all commodity sectors.

The Wilshire Liquid Alternative IndexSM measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. The Wilshire Liquid Alternative Index (WLIQA) is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge IndexSM (WLIQAEH), Wilshire Liquid Alternative Global Macro IndexSM (WLIQAGM), Wilshire Liquid Alternative Relative Value IndexSM (WLIQARV), Wilshire Liquid Alternative Multi-Strategy IndexSM (WLIQAMS), and Wilshire Liquid Alternative Event Driven IndexSM (WLIQAED).

The Wilshire U.S. Real Estate Securities IndexSM (Wilshire U.S. RESI) measures U.S. publicly-traded real estate securities. Designed to offer a market-based index that is more reflective of real estate held by pension funds, the Wilshire U.S. RESI is comprised of publicly-traded real estate equity securities and unencumbered by limitations of other appraisal-based indexes. It can serve as a proxy for direct real estate investing by excluding securities whose value is not always tied to the value of the underlying real estate. Exclusions include: mortgage REITs, net-lease REITs, real estate finance companies, mortgage brokers and bankers, commercial and residential real estate brokers, home builders, large landowners and sub-dividers of unimproved land, hybrid REITs and timber REITs. The rationale for the exclusions is that factors other than real estate supply and demand, such as interest rates, can influence the market value of these companies.

VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Past performance is no guarantee of future results. Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

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