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FINANCIAL SERVICES

STOCKS CONTINUE RISING AS THE FED CUTS RATES

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During the third quarter of 2024, the S&P 500 Index of the U.S.'s largest companies rose nearly 6%. Value-oriented companies generally outperformed growth stocks with the Russell 3000 Value Index rising over 9%, while its growth counterpart rose only 3%. Small- and mid-cap stocks, on average, outperformed their larger peers by over 3 percentage points.

The trend toward smaller companies and value stocks is a relatively recent event. In previous quarters, investors gravitated to stocks poised to benefit from artificial intelligence, concentrating market returns in a few technology stocks.

That changed in the third quarter with the broadening of market performance evident across the S&P 500 as 10 out of 11 sectors experienced positive returns. Utilities and Real Estate sectors were the top performers, while Energy, Information Technology and Communication Services underperformed the overall S&P 500.

Over longer time frames, stock performance has been exceptional. On a year-to-date basis, the S&P 500 has experienced its best performance since 1997 and recorded over 40 all-time highs.[1] In addition, for the one-year period ending September 2024, the S&P 500 has increased 36%.

It appears investors are more confident in the Federal Reserve's ability to support the economy and job market and avoid a recession. In fact, according to Bank of America's Global Fund Manager September Survey, over half of respondents did not expect a U.S. recession in the next 18 months.[2]

In September, the Fed cut the fed funds rate by 50 basis points, the first rate cut since 2020. Going forward, the market is expecting several more rate cuts through 2026, although the Fed will be closely watching the jobs report and inflation print to determine their economic goals of maximum employment and stable prices. The latest economic figures point to a healthy economy: In August, the unemployment rate in the U.S. was 4.2%[3] and the Fed's preferred measure of inflation—the U.S. Personal Consumption Expenditures Price Index (PCE)—rose only 2.2%.[4]

A look in the rearview mirror offers some perspective on where the market could head as we close out 2024. Historically, the fourth quarter has been the best quarter for the U.S. stock market. Over the past 40 years, the S&P 500 Index has gained nearly 5%, on average, for the three-month period.

Regardless of how this year ends, we encourage you to remain focused on your long-term financial goals. Wherever you are on your financial journey, your Jemma Financial Advisor can help.

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1. Yahoo!Finance. 2. The Wall Street Journal. 3. U.S. Bureau of Labor Statistics. 4. Bureau of Economic Analysis.

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