D|A DAVIDSON
WEALTH MANAGEMENT

The Weekly Market Update – 10/28/24: Election Nears But It's A Data-Driven Week

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,808.12	-0.96%	0.79%	21.77%	35.45%	5,864.67	1.0%
Dow Jones Industrial Average	42,114.40	-2.68%	-0.51%	11.74%	25.69%	43,275.91	2.8%
NASDAQ Composite	18,518.61	0.16%	1.81%	23.36%	40.09%	18,647.45	0.7%
Russell 2000	2,208.00	-2.99%	-0.99%	8.93%	23.69%	2,442.74	10.6%
MSCI EAFE (USD)	2,361.47	-1.99%	-4.34%	5.60%	16.26%	2,506.69	6.1%
MSCI Emerging Markets (USD)	1,134.88	-1.75%	-3.07%	10.86%	19.11%	1,444.93	27.3%
Bloomberg Commodity Index	100.24	2.04%	-0.10%	1.61%	-4.39%	237.95	137.4%
Barclays U.S. Aggregate Bond	91.66	-0.95%	-2.53%	-0.04%	6.18%	112.07	22.3%

Source: FactSet

Yes, the 2024 national election is just eight days away, but don't sleep on a big week for economic data. As national attention gears up for Election Day on 11/5/24, focus this week will shift to a heavy dose of reports covering employment trends, inflation, and corporate earnings. The S&P 500 equity index declined -1.0% last week but this followed six consecutive weekly gains, and the index remained +3.3% higher since 9/18/24. That was the date of the Federal Reserve Bank's (Fed) last policy meeting, at which they initiated a long-anticipated reduction in interest rates. Because the Fed's dual mandate is to promote maximum employment (jobs) and stable prices (inflation), data this week will inform Fed policy for its next policy meeting ending on 11/6/24. Two important jobs reports, both from the Bureau of Labor Statistics (BLS), are due this week. The Job Openings and Labor Turnover Survey (JOLTS) for September is expected (FactSet consensus) to show 7.9 million (M) job openings, slightly below 8.0M in August, and the 3-month trend of openings was lower for the past six months. On Friday, the widely followed monthly nonfarm payrolls (jobs) report for October is due with consensus estimates of +122 thousand (K) new jobs. This would be below September's better-than-expected report of +254K. That previous report, in our view, was a leading factor driving equities higher as it was the largest monthly jobs increase since March and signaled resilient strength in the U.S. economy. Third quarter (3Q24) gross domestic product (GDP), which measures inflation-adjusted annualized U.S. economic growth, will be reported Thursday. The consensus estimate was +2.4% as of 10/25/24, but many models see growth of +3.0% or more. Inflation data is due Thursday in the form of the personal consumption expenditures price index (PCE PI) for September, which is the Fed's preferred inflation measure. That number is estimated at +2.0% year-over-year (Y/Y), in-line with their goal, but the Fed also wants to see the core PCE PI (which excludes food and energy prices) reach +2.0% and the consensus estimate for that number is +2.6%. Combined, if all reports meet estimates, we believe that the Fed will be comfortable with cutting interest rates again next week (perhaps -0.25%) but if jobs growth and/or inflation are higher than expected, the Fed could delay its next interest rate move.

Multiple high-profile earnings reports are due this week, led by releases from five of the "Magnificent 7" (Mag 7) companies. With 169 S&P 500 companies due to report quarterly financial results this week, about 70% of the index will have reported by Friday. Through 10/25/24, earnings growth from companies already reported was tracking at +3.2% Y/Y, below the +4.0% growth expected at the end of September, and the updated index estimate remains near +4.0%. We characterize results to-date as lackluster, but that could change this week as reports are posted. The five Mag 7 stocks reporting this week are expected show average growth of +14.5% and contribute 1.8 points to the +4.0% S&P 500 growth estimate, meaning that 45% of all index earnings growth comes from those 5 companies. If they beat estimates, the growth outlook will increase.

Interest rates have surged higher despite the prevailing expectation that the Fed will lower its fed funds target in November. Since the Fed reduced the low end of its fed funds target to 4.75% from 5.25% on 9/18/24, the U.S. 2-year Treasury yield (TY) has moved to 4.15% from 3.63% (+52 bp) and the 10-year TY moved to 4.29% from 3.71% (+58 bp). While higher rates can reflect U.S. economic strength, we must also watch the potential for renewed inflation expectations, which could change the Fed's expected path.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The S&P 400 Index is a market cap weighted index comprised of U.S. stocks in the middle capitalization range, generally considered to be between $200 million and $5 billion in market value. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an 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 is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The minutes from the most recent FOMC meeting is here. The Federal Reserve Act mandates that the Federal Reserve conduct monetary policy "so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates." Even though the act lists three distinct goals of monetary policy, the Fed's mandate for monetary policy is commonly known as the dual mandate. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. As of 10/28/24, the fed funds target range was 4.75% to 5.25%.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The Federal Reserve Bank of Atlanta publishes a current quarter U.S. economic growth, to track real (inflation adjusted) gross domestic product, or GDP. GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow – the estimate is based solely on the mathematical results of the model. The most recent GDPNow update for 3Q24 GDP reflected growth tracking at 3.3% (as of 10/25/24) and is one source of our commentary about recent U.S. economic data exceeding expectations.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE)

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work. The BLS also publishes the Job Openings and Labor Turnover Survey (JOLTS) which measures job openings, hires, and separations from a monthly survey of U.S. business establishments.

U.S. 2024 election day is 11/5/24. On the national level, voters will choose the next president of the U.S. and state election will determine the party control (Democratic or Republican) of Congress, both the U.S. House of Representatives and the U.S. Senate.

The term "Magnificent 7" was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple (AAPL), Microsoft (MSFT), Alphabet (GOOG & GOOGL), Amazon (AMZN), Nvidia (NVDA), Meta (META), and Tesla (TSLA). The five of those stocks scheduled to report financial results this week and the FactSet consensus estimate Y/Y growth rates (as of 10/28/24) are: AMZN +21.3%, META +18.7%, GOOG/GOOGL +18.7%, AAPL +9.6%, and MSFT +4.0%.