# *MARKET OVERVIEW*

*4th Quarter 2024*

Central Bank Wealth Management Group

## Market Review

- The S&P 500 saw its fourth consecutive quarterly gain in 3Q, up 5.89% and closing the quarter at all-time highs. The index rose 22.08% YTD, the strongest first three quarters the market has seen since the late 1990's. Domestic smaller cap companies, including both the S&P Midcap 400 and Russell 2000 indices returned 9.92% and 9.27% respectively for the quarter. International developed and emerging equities delivered robust returns as well, generating 7.26% and 8.72% returns for the third quarter. We remain cautiously optimistic on the markets going into year-end.
- After keeping rates higher for longer, the FED surprised many in September by starting the easing cycle with a 50 bps cut rather than 25 bps. While rates remain uncomfortably high, the 50 bps cut indicates that the FED is committed to supporting growth and should provide some relief to those that have been hit hardest by higher rates.

## Economy

- China is reflating, the FED and ECB are cutting, the US economic data (specifically the consumer) is stronger than expected and lower energy prices provide further tailwind boosting the economy. There appears to be an increased chance of a soft landing.
- As inflation data continued to cool in the 3rd quarter, becoming less of a concern for investors, employment became the biggest risk to markets in the eyes of investors. Employment really came into focus in the third quarter as the July payroll numbers missed estimates. Also, many measures of housing activity and sentiment continued to deteriorate during the quarter. Existing home sales are on pace to hit nearly 30-year low despite recently lower rates.

## Equities

- The stock market does seem to favor rate cuts, with the S&P 500 Index gaining an average of 13.4% in the year following a series of cuts. In fact, of the 14 rate-cut cycles since 1928, only 2 saw negative returns one year later.
- The market continued to broaden out as we saw a surge in breadth during the period with nearly 70% of stocks outperforming the S&P 500, the highest number we saw since January 2023.
- Within large caps, rate sensitive equities (utilities and real estate) led the pack as rates fell and the FED finally eased. Technology and energy were near the bottom in both large and small capitalization stocks.
- The deterioration in China's economy escalated in the period and ignited fears of a deflationary spiral in the region. China's policy push in September was welcomed by investors and spurred a 27% rally in the top capitalization weighted stocks from the September lows.

## Fixed Income

- The bond market continued to recover and the Bloomberg US Aggregate is up 4.45% for the year to date period. The FOMC is signaling another 50 bps rate reduction in 2024; as the FED continues to ease and we progress in the cycle of declining rates, bonds should have the wind at their back.
- As rates have declined, we have enjoyed solid returns in our bond portfolios due to duration positioning. We believe that bonds will continue to provide stability and income, as well as diversification and downside protection.

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