Quarterly Market Review

September 30, 2024

	S&P 500	NASDAQ	DJIA
Q3	+5.9%	+2.8%	+8.7%
1 Yr	+36.4%	+38.6%	+28.9%

Key Takeaways

- Global equities generally advanced in Q3, though performance was mixed across sectors and regions.
- The Federal Reserve cut rates by 50 basis points in September, citing "greater confidence" that inflation was moving toward their 2% target.
- Sectors like Real Estate and Utilities gained favor, while Energy and Technology stocks lagged.
- Emerging markets outperformed developed markets, supported by monetary easing measures in the U.S. and China.

U.S. Equities

	Q3	1 Yr
Large Caps	+5.9%	+36.4%
Mid Caps	+6.9%	+26.8%
Small Caps	+9.3%	+26.8%

- U.S. equities advanced in Q3, but sector performance was mixed.
- Top-performing sectors included Utilities and Real Estate, while Info Tech posted modest gains.
- Value outperformed growth during the quarter, and smaller caps outpaced their large-cap counterparts.
- S&P 500 corporate earnings grew sharply in 2024 and are expected to continue growing in 2025.
- Dividend stocks, which tend to perform well when interest rates fall, outperformed the broad market for the first time in 2024.

Non-U.S. Equities

	Q3	1 Yr
Developed	+7.3%	+24.8%
Global ex-US	+8.1%	+25.4%
Emerging Mkts	+8.7%	+26.1%

- Eurozone shares advanced in Q3, led by Real Estate, Utilities, and Healthcare.
- The ECB held interest rates steady in July and cut them by 25 bps in September.
- U.K. equities rose following a Labour general election win, boosting hopes for economic recovery.
- Japanese stocks reached new highs in early July before correcting in August due to weaker U.S. data and BoJ rate hikes.
- Emerging markets, led by strong performance from China on government stimulus measures, outperformed their developed counterparts.

Fixed Income

	Q3	1 Yr
U.S. Aggregate	+5.2%	+11.6%
U.S. Corporate	+5.8%	+14.3%
U.S. High Yield	+5.3%	+15.7%
U.S. Municipals	+2.7%	+10.4%
U.S. TIPS	+4.1%	+9.8%
Gbl ex-USD Hdg	+3.5%	+8.8%
Emerging Mkts	+6.5%	+19.3%

- Fixed income markets rallied in Q3 as the outlook for interest rates and an economic soft landing improved.
- Higher-yielding and longer-duration bonds led fixed income markets, fueled by rising investor confidence.
- 10-year Treasury yields fell from 4.48% in July to 3.75% by the end of the quarter.
- After more than two years of inversion, the yield curve normalized in September following Fed rate cuts.

U.S. Equities: *Large Caps are represented by the S&P 500 Index. Mid Caps are represented by the S&P 400 Midcap Index. Small Caps are represented by the Russell 2000 Index.*
Non-U.S. Equities: *Developed is represented by the MSCI EAFE Index. Global ex-US is represented by the MSCI ACWI ex-US Index. Emerging Markets are represented by the MSCI EM Index.*
Fixed Income: *All markets are represented by their respective Bloomberg Indexes with the exception of Emerging Markets, which are represented by the JPM EMBI Global Core Index.*

Quarterly Market Review (Continued)

September 30, 2024

Economic Highlights

- **Interest Rates**

5.0%

The Federal Reserve cut rates by 0.50% to a range of 4.75% to 5.0% at its September meeting. Markets expect two more rate cuts this year, with further cuts in 2025.

- **Inflation**

2.4%

The Consumer Price Index (CPI) fell to 2.4% in September, returning to levels last seen in February 2021.

- **Unemployment**

4.1%

The unemployment rate (4.1%) and the number of unemployed people (6.8 million) remained relatively steady in September but were up slightly from 3.8% and 6.3 million one year ago.

- **Gross Domestic Product**

3.0%

Gross domestic product (GDP) rose at a 3.0% annualized rate in the second quarter, up from 1.4% in the first quarter. Economic growth was largely driven by strong consumer spending.

- **Housing Market**

1.3%

On a quarterly basis, home prices rose a seasonally adjusted 1.3% in Q3, down from the revised 1.4% growth in Q2.

Key Changes in Retirement Savings Rules

The SECURE 2.0 Act, an expansion of the original SECURE Act of 2019, introduced a range of updates designed to enhance retirement security for American workers. Its provisions are staggered to take effect over several years, allowing for gradual implementation and adjustment.

Several recent and upcoming changes to retirement laws will affect how many Americans save for the future. Here's a breakdown of the key provisions taking effect this year through 2026:

- **Roth 401(k) Updates**. Starting this year, required minimum distributions (RMDs) are no longer mandatory for owners of Roth 401(k). This change aligns Roth 401(k)s with Roth IRAs, providing more flexibility in managing retirement savings.
- **Spousal IRA Beneficiary Rules**. Effective this year, older spouses who inherit an IRA from a younger spouse can base required minimum distributions (RMDs) on the deceased spouse's age. This means the beneficiary doesn't have to start taking RMDs until the original account owner would have turned 73, potentially allowing for smaller RMDs and more time for tax-deferred growth within the account.
- **Changes for High Earners**. Beginning in 2026, 401(k) participants who are 50 or older and earning more than $145,000 annually must make their catch-up contributions on a Roth (after-tax) basis. Keep in mind this provision doesn't apply to Roth IRAs.

These changes aim to provide more flexibility and options for retirement savers. For those curious to know more, **here's a comprehensive summary** of the new retirement savings rules included in the SECURE 2.0 Act.