

Market & Economic Themes for 4th Quarter 2024

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Mike Minter, CFP®, CFS®
Chief Investment Officer
Financial Synergies Wealth Advisors

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10 Market & Economic Themes for 4Q 2024

This collection of market insights highlights 10 themes we believe are most likely to shape the investment environment this quarter.

1. Market Recap – Timeline of Key Events in 2024
2. Stock Market – An Increasing Number of Stocks are Participating in the Rally
3. Interest Rates – Federal Reserve Cuts Rates by -0.50%
4. Path Forward – How Much Could Rates be Cut by?
5. Economic Trends – Watching Interest Rate Sensitive Industries
6. Historical Perspective – How Does the S&P 500 Perform During Rate Cuts?
7. Labor Markets – Weakening, but Not Weak by Historical Standards
8. Number of Companies Mentioning “Recession”
9. Presidential Election – Staying Invested vs. Choosing Sides
10. Stock / Bond Correlation Returning to Normal

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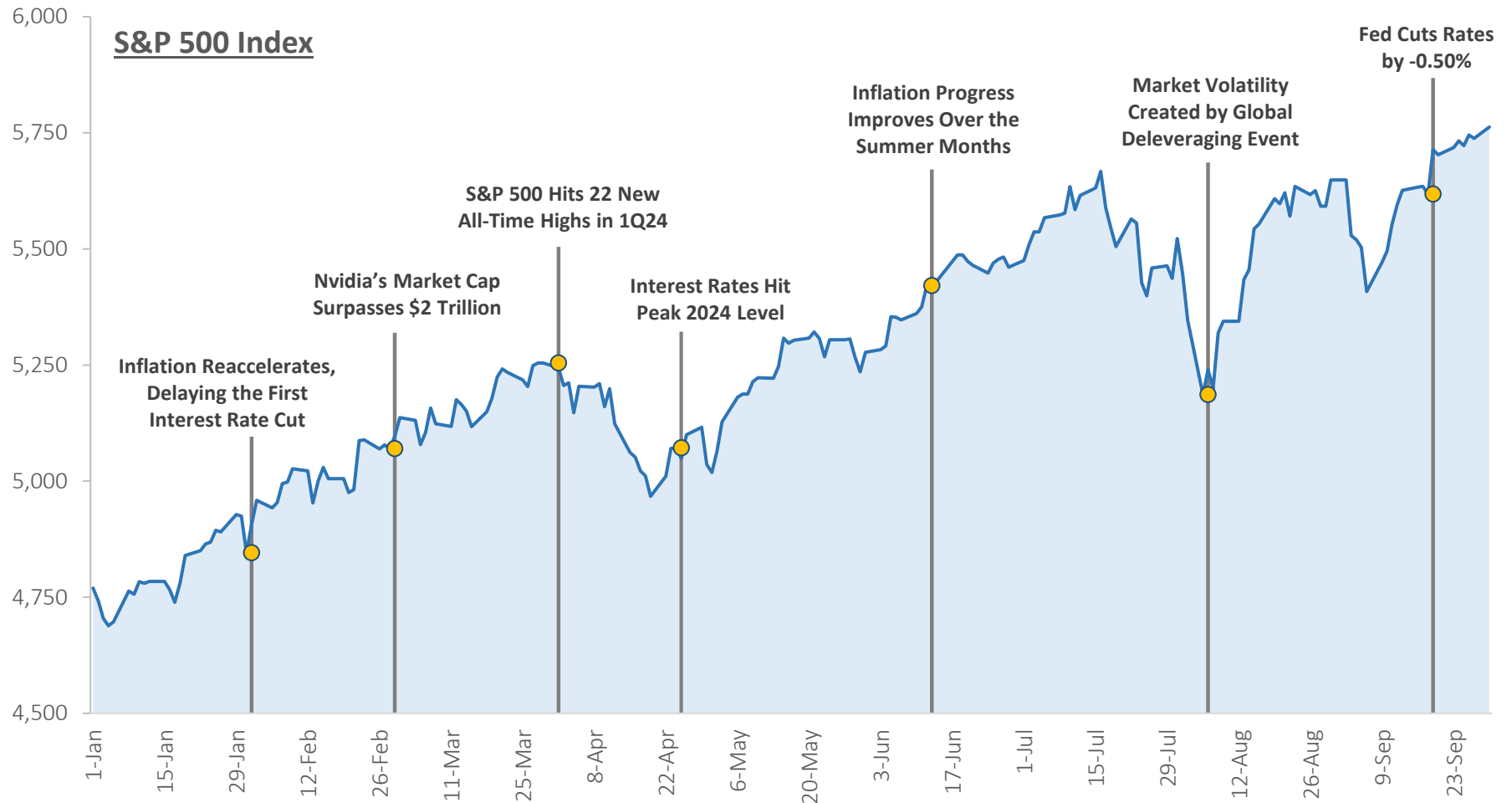
Chief Investment Officer

Asset Class Returns

Market Category	3Q 2024	6 Months	1 Year	3 Year	5 Year	10 Year
U.S. Large Cap Stocks	5.7%	10.4%	35.9%	11.8%	15.9%	13.3%
U.S. Large Cap Growth Stocks	3.1%	11.7%	41.9%	11.8%	19.5%	16.3%
U.S. Large Cap Value Stocks	9.4%	6.9%	27.3%	8.8%	10.5%	9.0%
U.S. Small Cap Stocks	9.2%	5.7%	26.4%	1.7%	9.3%	8.7%
Global Stocks	6.4%	9.4%	31.5%	8.2%	12.2%	9.5%
Developed Market Stocks	6.8%	6.5%	24.7%	5.6%	8.1%	5.7%
Emerging Market Stocks	7.7%	12.3%	23.6%	-0.7%	4.7%	3.2%
U.S. Taxable Bonds	5.3%	5.2%	11.4%	-1.4%	0.3%	1.8%
U.S. Municipal Bonds	2.7%	2.4%	9.0%	0.2%	1.3%	2.3%
U.S. High Yield Bonds	5.6%	6.3%	15.3%	2.6%	3.6%	3.9%
REITs	17.3%	14.8%	33.6%	2.5%	4.7%	7.3%
Commodities	-4.1%	-3.0%	-6.4%	5.2%	9.7%	0.4%

Disclosures: All performance data represents total returns. Performance longer than 1 year are annualized. Past performance is no guarantee of future results. Asset classes are represented by the following ETFs: U.S. Large Cap (SPY - SPDR S&P 500 ETF), U.S. Large Cap Growth (IWD - Russell 1000 Growth ETF), U.S. Large Cap Value (IWF - Russell 1000 Value ETF), U.S. Small Cap (IWM - iShares Russell 2000 ETF), Global Stocks (ACWI - iShares MSCI ACWI ETF), DM Stocks (EFA - iShares MSCI EAFE ETF), EM Stocks (EEM - iShares MSCI Emerging ETF), U.S. Taxable Bonds (AGG - iShares Core U.S. Aggregate Bond ETF), U.S. Municipal Bonds (MUB - iShares National Muni Bond ETF), U.S. High Yield Bonds (HYG - iShares iBoxx \$ High Yield Corporate ETF), Commodities (DBC - Invesco DB Commodity ETF), and REITs (VNQ - Vanguard Real Estate ETF).

Market Recap – Timeline of Key Events in 2024

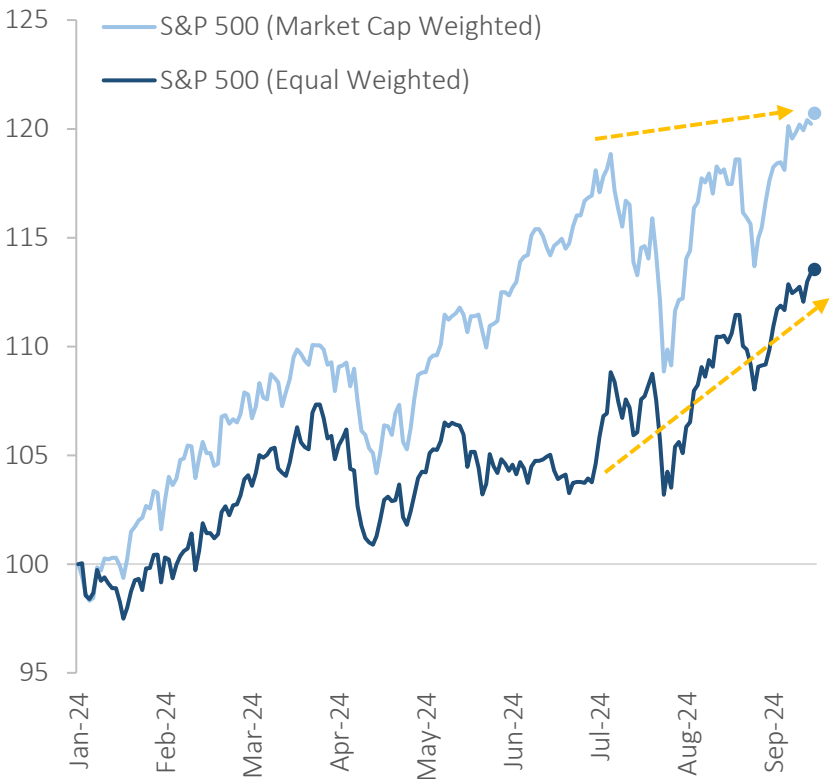


Source: Standard & Poor's, Department of Labor, U.S. Treasury, Federal Reserve. Analysis is based on price and does not reflect any management fees, transaction costs, or expenses. Past performance does not guarantee future results. Time period from 1/1/2024 to 9/30/2024. Latest available data as of 9/30/2024.

Stock Market – An Increasing Number of Stocks are Participating in the Rally

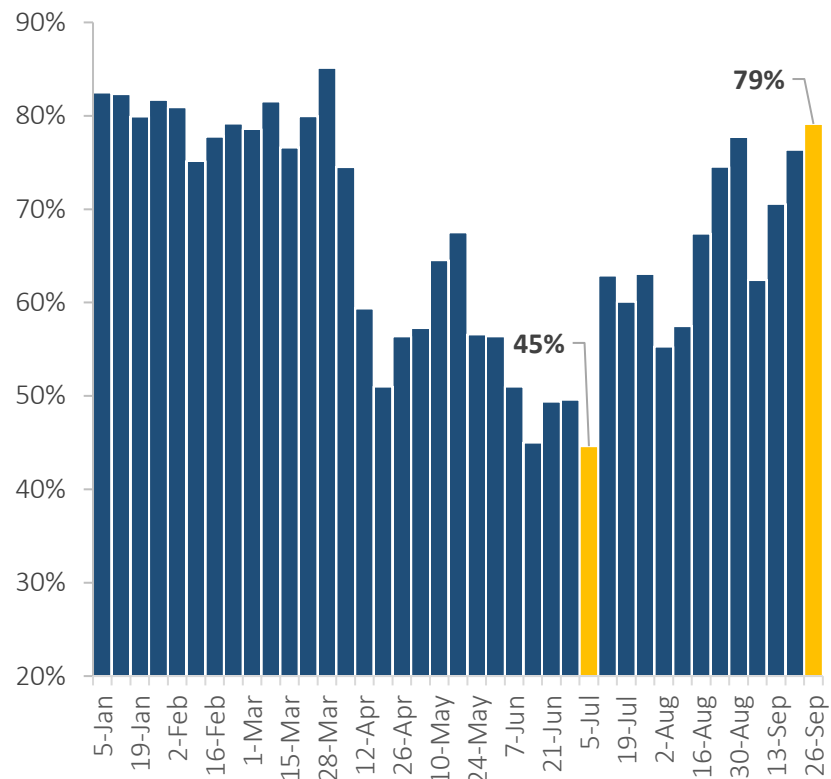
Year-to-Date Stock Market Performance

Prices Indexed to 100 on January 1st, 2024



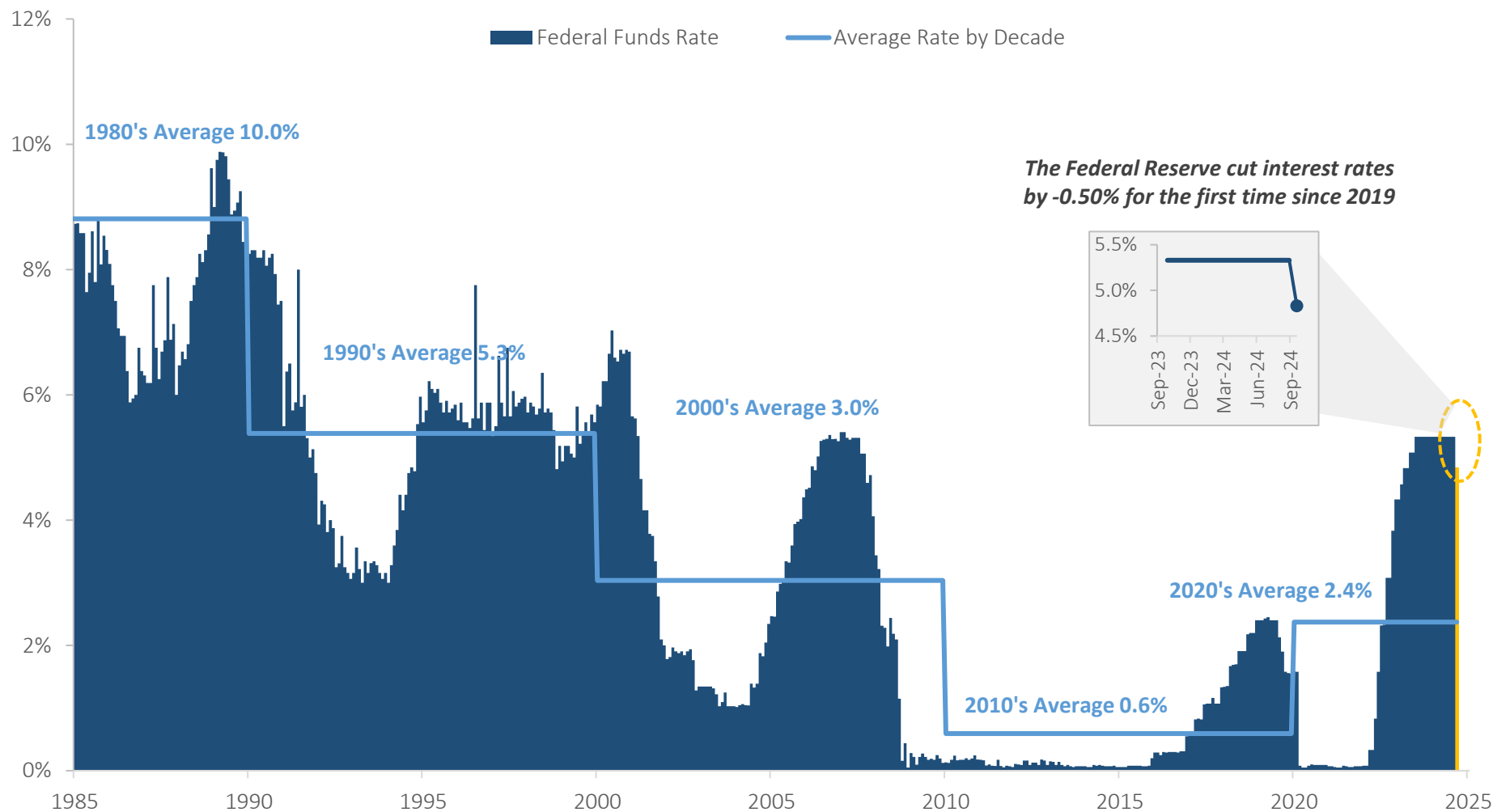
S&P 500 Breadth is Improving

Percentage of Stocks Above their 100-Day Average Share Price



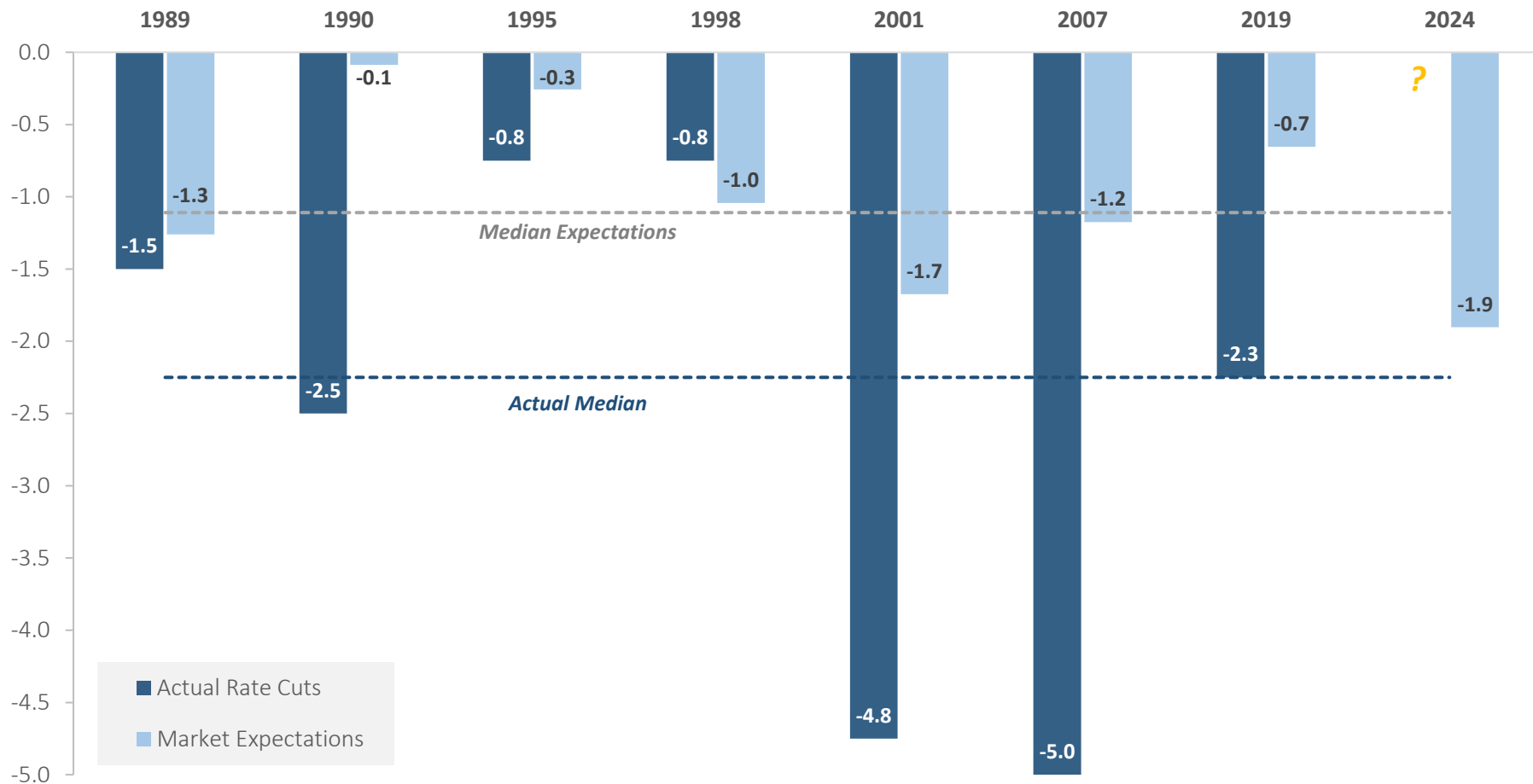
Source: Standard & Poor's. Analysis is based on price returns and does not reflect any management fees, dividends, transaction costs, or expenses. Past performance does not guarantee future results. Time period from 1/12/2024 to 9/30/2024. Latest available data as of 9/30/2024.

Interest Rates – Federal Reserve Cuts Rates by -0.50%



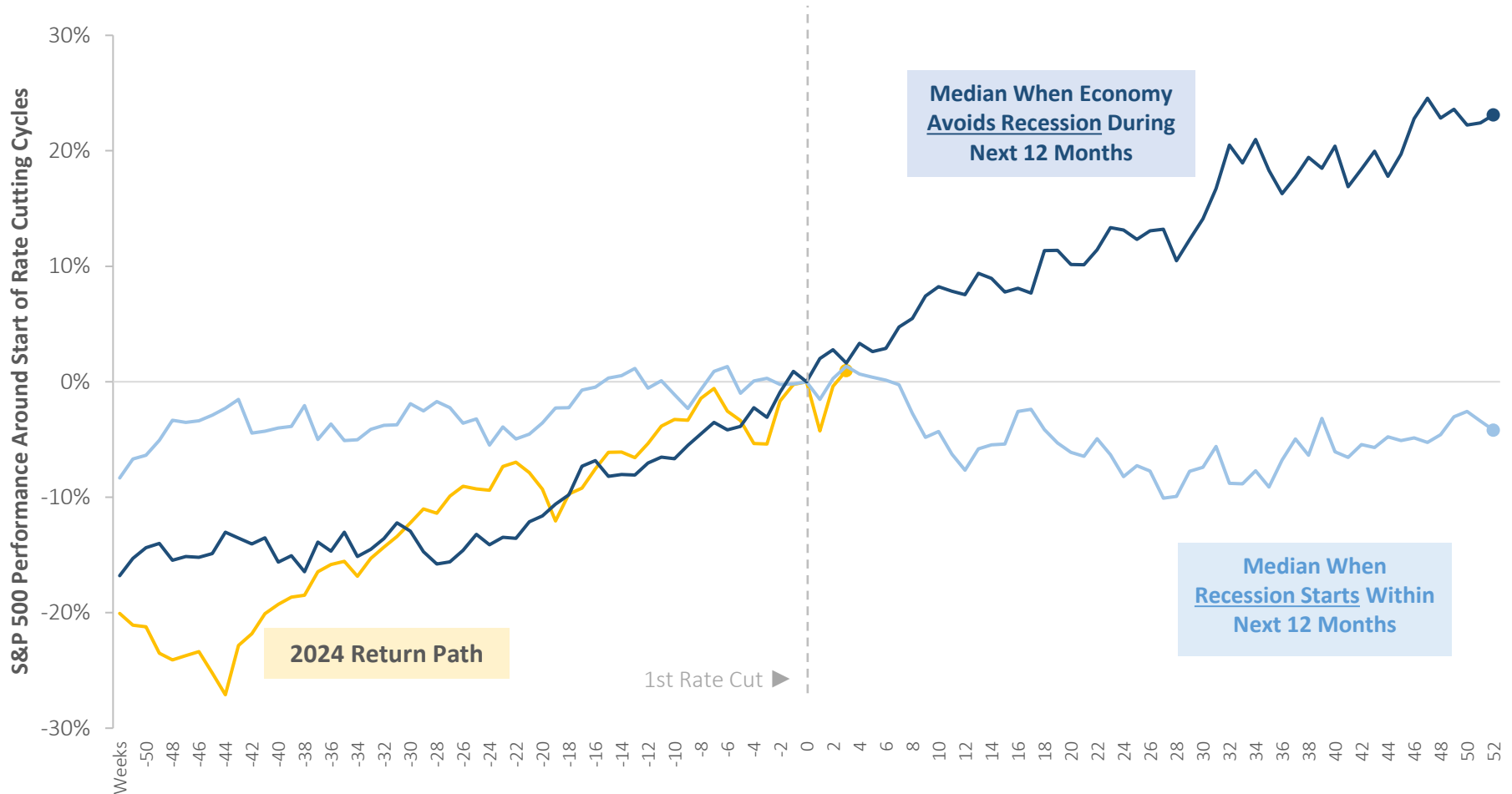
Source: Monthly datapoints from the Federal Reserve since the 1980s. The Federal Funds Rate is the target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight. Time period from 1/1/1985 to 9/30/2024. Latest available data as of 9/30/2024

Path Forward – How much could rates be cut by?



Source: Federal Reserve, U.S. Treasury. Market expectations are calculated as the 2-year Treasury yield minus the Fed funds rate the day before the first rate cut. Previous rate cutting cycles include June 1989, July 1990, July 1995, September 1998, January 2001, September 2007, and July 2019. Past performance does not guarantee future results. Latest available data as of 9/30/2024.

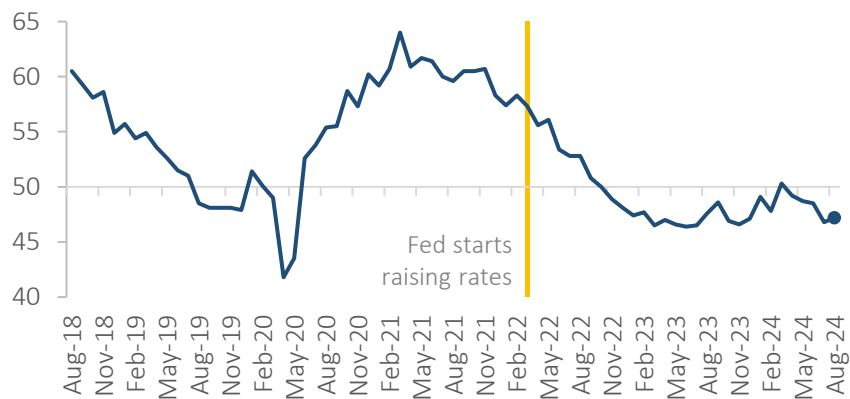
Historical Perspective – How Does the S&P 500 Perform During Rate Cuts?



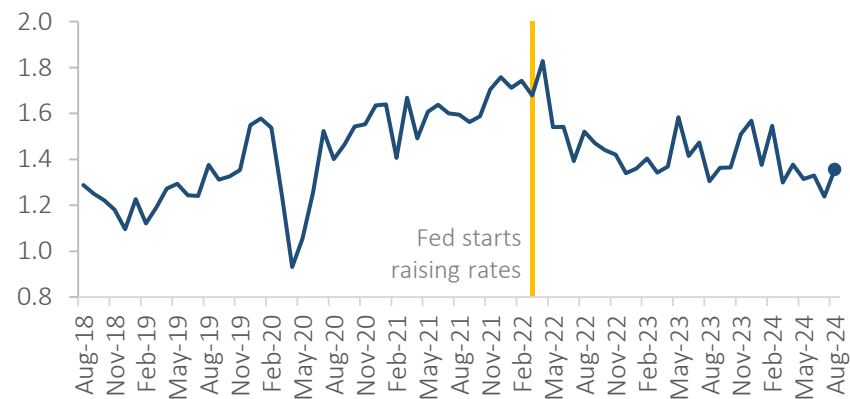
Source: Standard & Poor's, Federal Reserve. Previous rate cutting cycles include June 1989, July 1990, July 1995, September 1998, January 2001, September 2007, and July 2019. Based on S&P 500 price returns 52 weeks before and after the first rate cut of the cycle. Past performance does not guarantee future results. Latest available data as of 9/30/2024.

Economic Trends – Watching Interest Rate Sensitive Industries

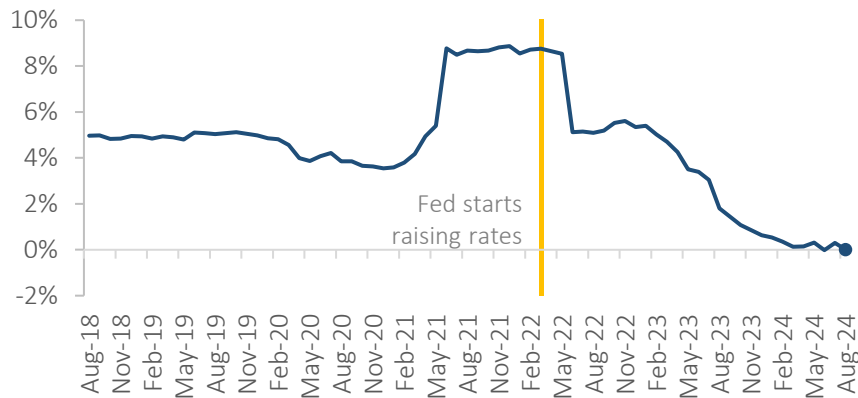
Manufacturing PMI



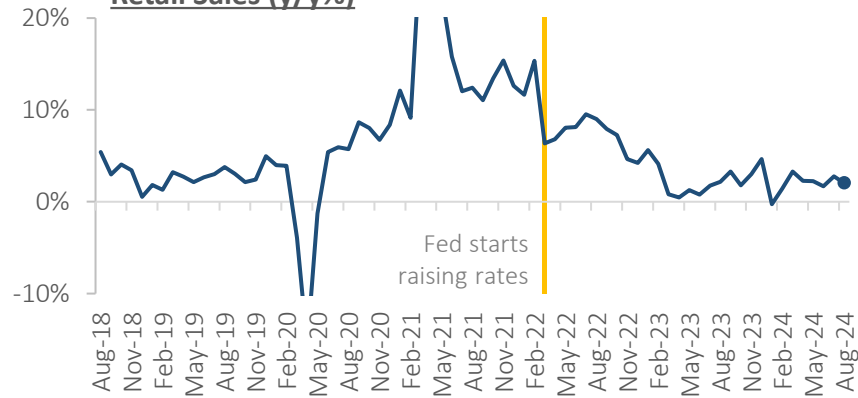
Housing Starts (in Millions)



Consumer Credit Outstanding (y/y%)

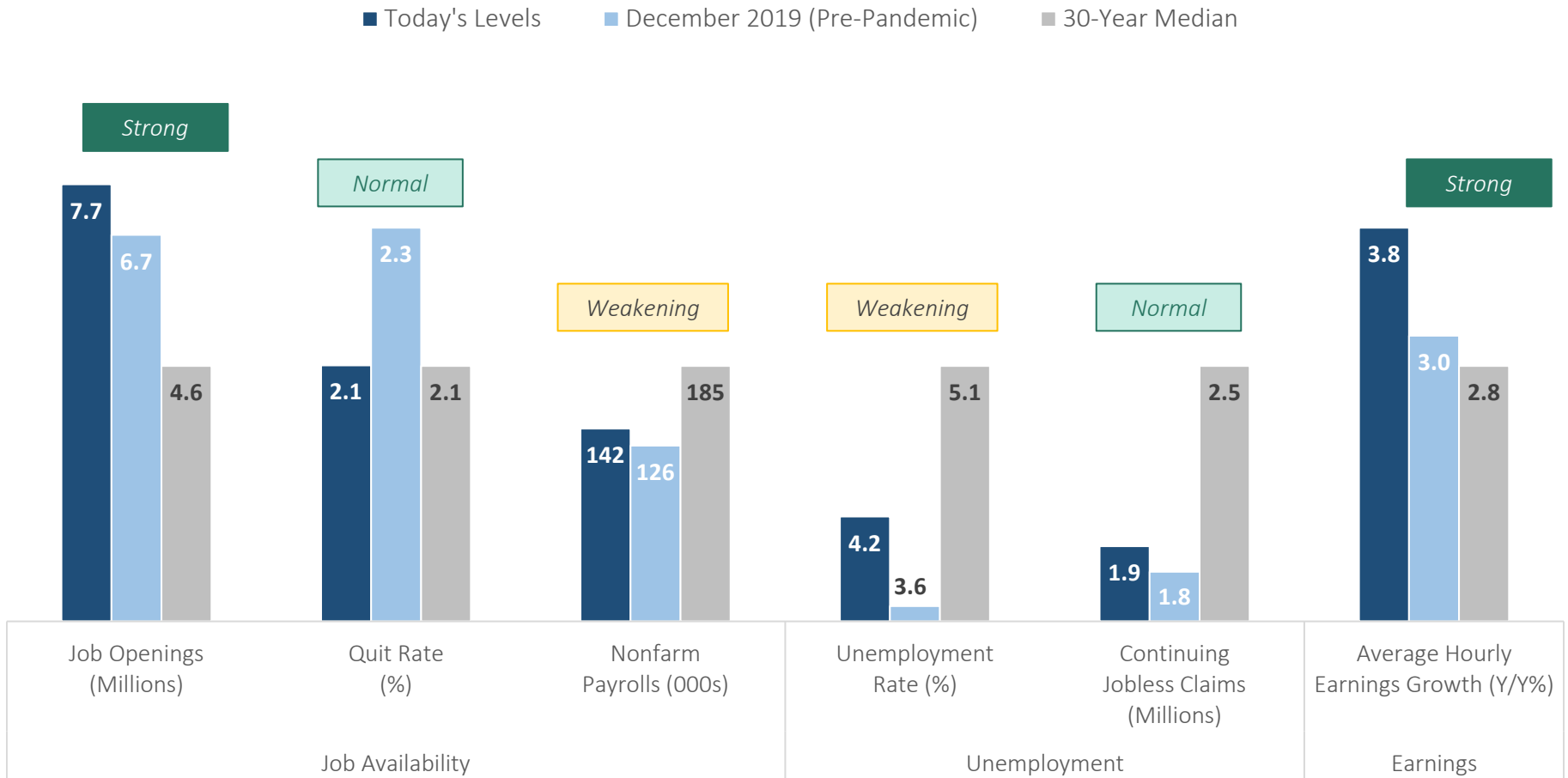


Retail Sales (y/y%)



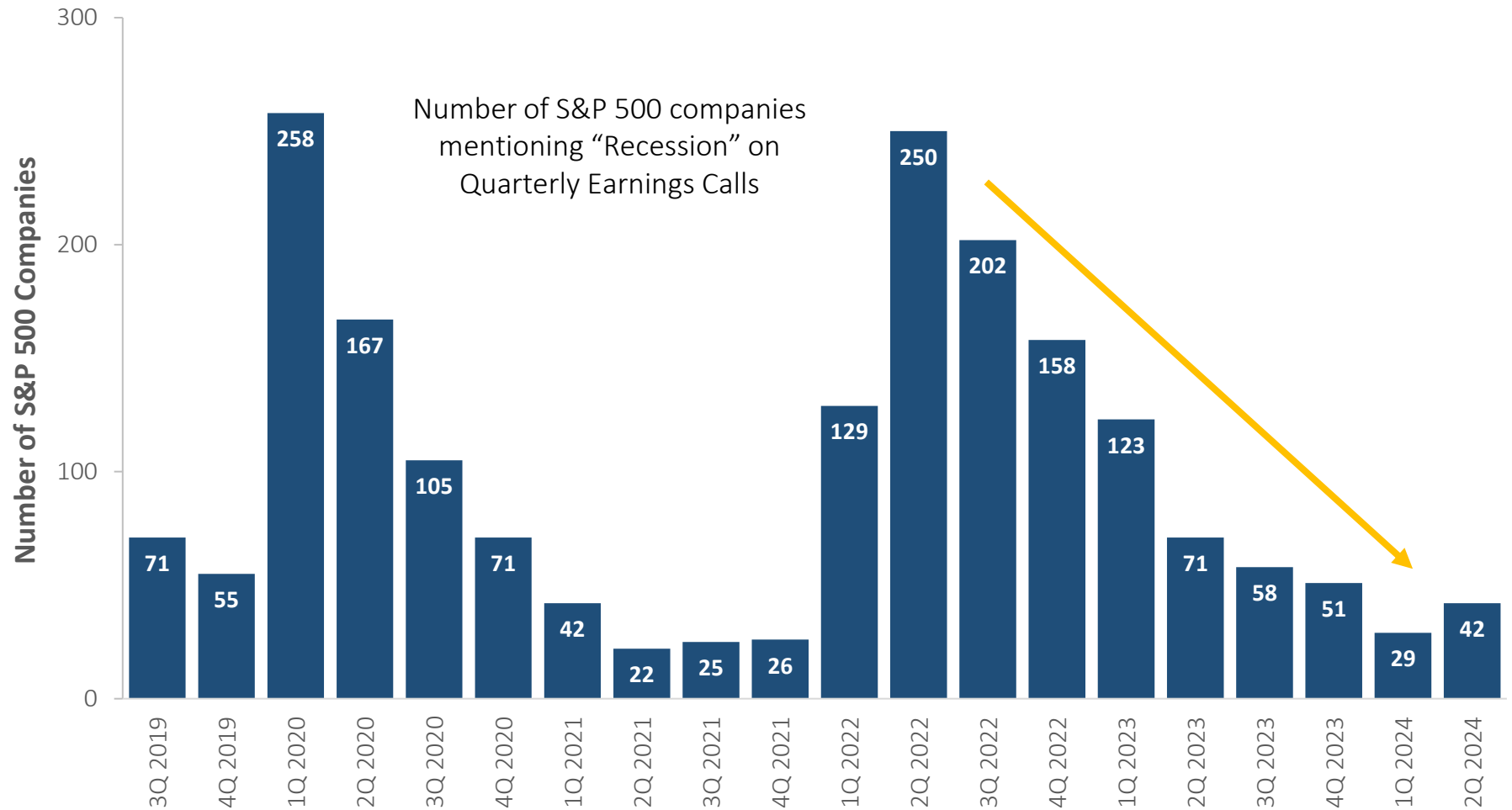
Source: Federal Reserve, Institute of Supply Management, U.S. Census Bureau. Time period from 8/31/2018 to 8/31/2024. Latest available data as of 9/30/2024.

Labor Markets – Weakening, but Not Weak by Historical Standards



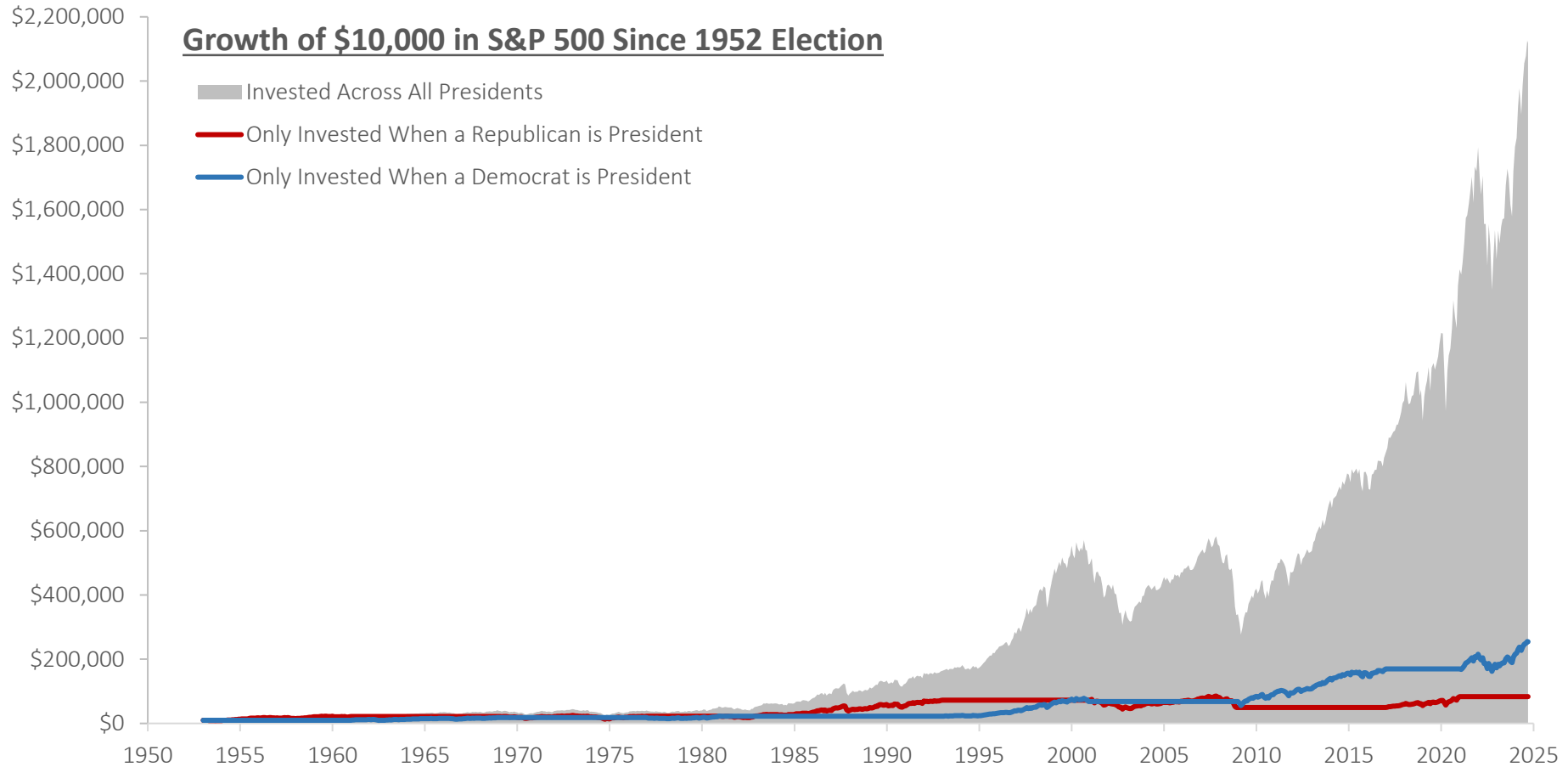
Source: Department of Labor. The 30-year median is based on monthly datapoints since 8/30/1994. Latest available data as of 9/30/2024.

Number of Companies Mentioning “Recession”



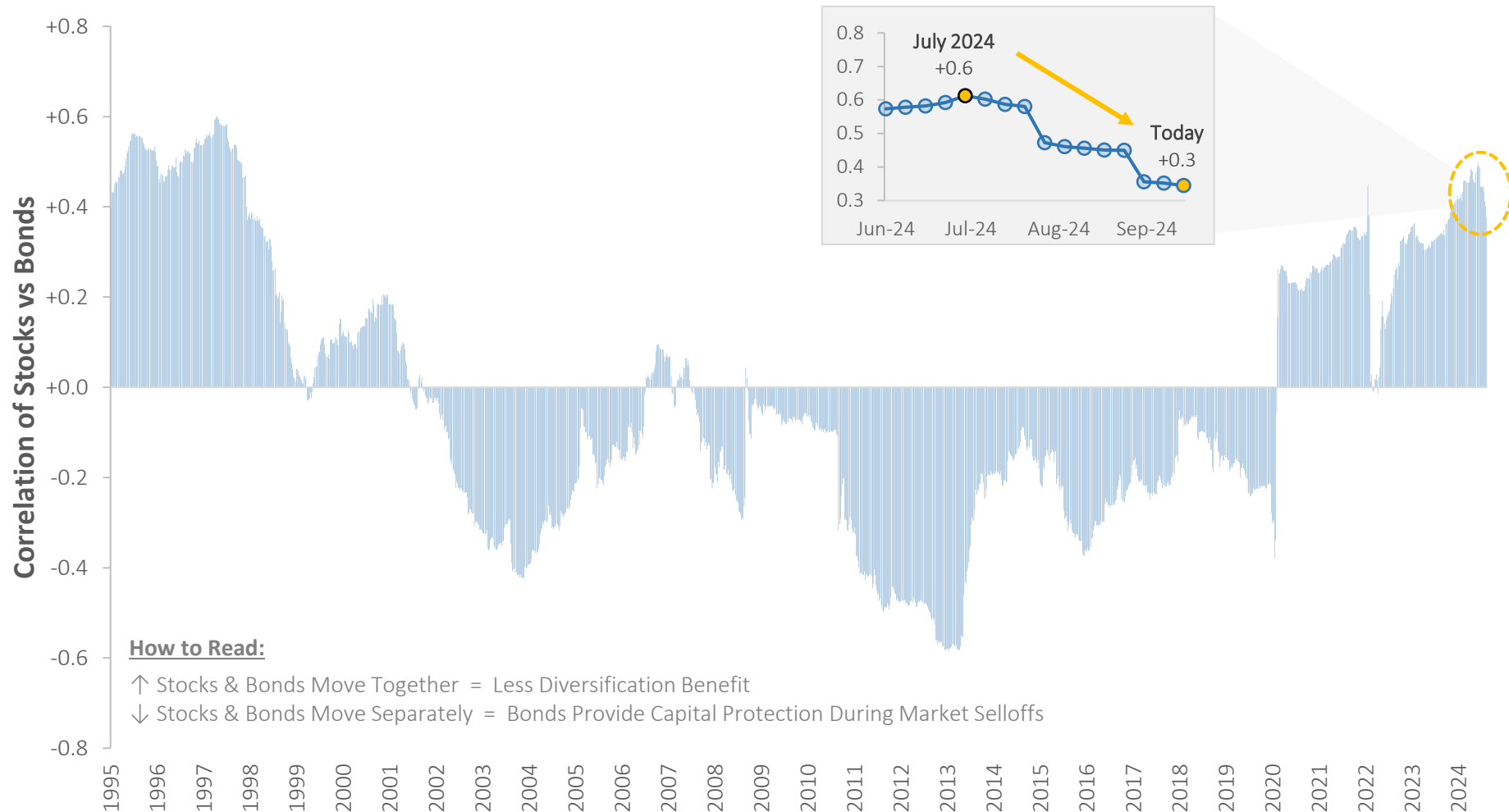
Source: Various quarterly corporate earnings calls. Time period from 6/30/2019 to 9/30/2024. Latest available data as of 9/30/2024.

Presidential Election – Staying Invested vs. Choosing Sides



Source: Standard & Poor's, www.WhiteHouse.gov. Analysis is based on price returns and does not reflect any management fees, transaction costs, or expenses. Assumes an investor only invests in the S&P 500 when a Republican or Democrat President is in the White House. Past performance does not guarantee future results. Data from 1/1/1953 to 9/30/2024. Latest available data as of 9/30/2024.

Stock / Bond Correlation Returning to Normal



Source: Federal Reserve. Correlation is based on a rolling 24-month period of weekly price returns. Analysis is based on the Bloomberg U.S. Bond Aggregate and the S&P 500. Past performance does not guarantee future results. Time period from 1/1/1995 to 9/30/2024. Latest available data as of 9/30/2024.

Questions?

Get in Touch!

Email: info@finsyn.com

713-623-6600

Definitions

2Y / 10Y / 30-Year Treasury Bonds: Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government.

Consumer Price Index (CPI): Measures the changes in the price level of a basket of consumer goods and services purchased by households.

Federal Fund's Rate: The target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.

Federal Reserve: The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

Forward Price to Earnings Ratio: The forward P/E ratio (or forward price-to-earnings ratio) divides the current share price of a company by the estimated future ("forward") earnings per share (EPS) of that company.

Growth Stocks: Growth stocks are companies expected to grow sales and earnings at a faster rate than the market average.

Inflation: A general rise in price level relative to available goods and services.

ISM Purchasing Managers Index (PMI): The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. It is considered to be a key indicator of the state of the U.S. economy.

Price Return: The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.

Prime Interest Rate: A base rate used by banks to price short-term consumer and business loans.

Real Yield: The interest rate earned on a fixed income investment after factoring in the impact of inflation as measured by the Consumer Price Index (CPI).

Total Return: Return on a portfolio of investments including capital appreciation and income received on the portfolio.

Unemployment Rate: A lagging economic indicator which is calculated as the percent of the labor force that is jobless.

Value Stocks: Stocks that are inexpensive relative to the broad market based on measures of fundamental value (e.g., price to earnings or price to book).

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For further information or questions regarding this report, please contact Financial Synergies Wealth Advisors at 713-623-6600.