

MONTHLY RECAP

SEPTEMBER 2024

MONTHLY OBSERVATIONS

Returns Buck the Trend for September

Long-term seasonality suggests weaker returns in September and early signs indicated last month would be no different; a sharp drop in risk assets started the month following a weak August labor market report, with markets questioning the Fed's delay in easing rates. Rates fell in response, helping the fixed income market and yield-oriented asset classes such as listed real estate and infrastructure. Then August inflation readings came in quite tame which elevated the probability of a September 50 basis point (bps) cut by the Fed. The Fed delivered with a 50 bps cut at its September 18th meeting, which helped US equity markets, especially US large cap, exit the malaise from the first half of the month as the S&P 500 hit another all-time high. Non-US equity markets were then sent higher, especially emerging markets, after China announced a wide variety of stimulus measures to arrest the fall in its equity market and slowing economic growth trends. Emerging markets posted their best month since November 2023 and ended the month with a year-to-date return of nearly 17%.

Easing Cycle Commences in US

At its September meeting, the Fed surprised some by cutting rates by 50 bps to the target range of 4.75%-5.00%. The Fed's decision to go with a 50 bps move indicated a shift in focus from inflation to employment, citing a slowdown in job growth as a key factor. The Fed's "Dot Plot" suggested more rate cuts are likely, with projections of another 50 bps of cuts by the end of the year.

Stimulus Sends Chinese Stocks Soaring

Weakening economic data served as a catalyst for Chinese authorities to initiate larger scale actions and more forcefully support the markets and economy. China's central bank unleashed a broad stimulus package to lower borrowing costs, inject more funds into the economy, and ease households' mortgage repayment burdens. The MSCI China NR equity index finished the month up nearly 24%.

COMMENTARY FROM ASSET MANAGERS

Fixed Income Manager

With the Fed cutting 50 bps at the latest FOMC meeting, many managers are re-emphasizing moving out of cash (money market funds) and putting it to work within fixed income. While rates remain elevated at the front end of the curve, between the Fed's messaging at their recent meeting and the potential for a soft or no landing, many believe rates will continue to be cut this year and throughout 2025.

Municipal Fixed Income Manager

The municipal market has had the longest stretch without a bankruptcy filing since at least July 1987. The massive federal pandemic-era aid has clearly contributed to this favorable streak, but fiscal conditions are gradually normalizing.

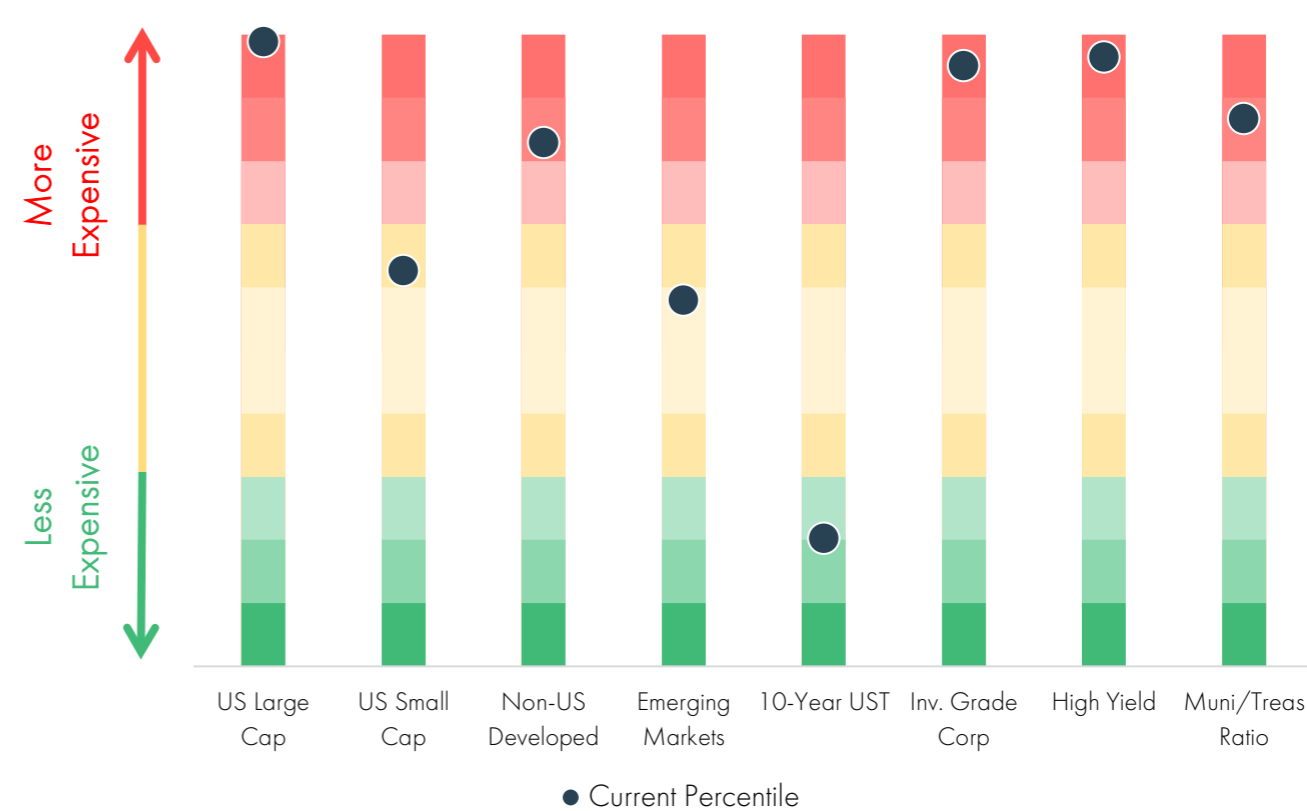
Listed REIT Manager

Public REITs have seen significant gains since the end of June, outperforming the S&P 500 by over nearly 10% through September. A slowdown in economic growth and moderating inflation has increased market confidence that the Federal Reserve will continue cutting rates. This environment favors REITs, which offer longer duration and resilient cash flows.

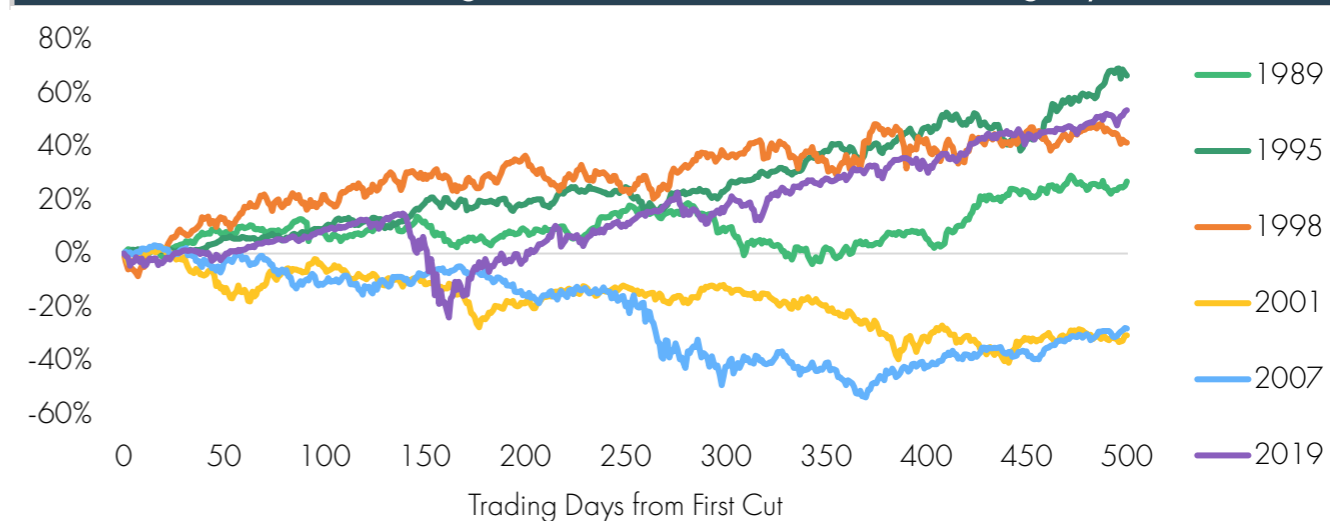
MARKET RETURNS - 09.30.2024

	1-Mo	QTD	YTD	2023	2022	2021
Equity						
S&P 500	2.1%	5.9%	22.1%	26.3%	-18.1%	28.7%
Nasdaq Composite	2.8%	2.8%	21.8%	44.6%	-32.5%	22.2%
Russell 1000 Growth	2.8%	3.2%	24.5%	42.7%	-29.1%	27.6%
Russell 1000 Value	1.4%	9.4%	16.7%	11.5%	-7.5%	25.2%
Russell 2000	0.7%	9.3%	11.2%	16.9%	-20.4%	14.8%
MSCI EAFE	0.9%	7.3%	13.0%	18.2%	-14.5%	11.3%
MSCI Emerging Markets	6.7%	8.7%	16.9%	9.8%	-20.1%	-2.5%
Fixed Income						
Treasury	1.2%	4.7%	3.8%	4.1%	-12.5%	-2.3%
Municipal	1.0%	2.7%	2.3%	6.4%	-8.5%	1.5%
Aggregate	1.3%	5.2%	4.4%	5.5%	-13.0%	-1.5%
Investment Grade Corporate	1.8%	5.8%	5.3%	8.5%	-15.8%	-1.0%
High Yield Corporate	1.6%	5.3%	8.0%	13.4%	-11.2%	5.3%
FX						
US Dollar Index	-0.9%	-4.8%	-0.5%	-2.1%	7.9%	6.7%
Real						
Real Estate	3.0%	16.2%	13.7%	11.5%	-25.1%	39.9%
Infrastructure	3.8%	13.2%	17.1%	5.8%	-1.0%	11.0%
Oil	-8.9%	-16.9%	-6.8%	-10.3%	10.5%	50.2%
Gold	5.7%	12.9%	27.2%	12.8%	-0.7%	-4.3%

ASSET CLASS VALUATIONS - 09.30.2024



S&P 500 Returns Following the Start of Previous Rate Cutting Cycles



A review of the last six US rate cutting cycles highlights the strong long-term performance of the S&P 500 when cuts occur outside of a recession (such as 2001 and 2007). The same pattern holds for bonds, as the Bloomberg US Aggregate Index had positive returns following all six cycles two years out from the initial cut.

Source: Morningstar Direct, Bloomberg; See important information in the disclosures.



DISCLOSURES

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SOURCES

Morningstar Direct as of 09.30.2024

Bloomberg as of 09.30.2024

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group.

DEFINITIONS

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BofA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 9/1/2006. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE NR Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets NR Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BofA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BofA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.