

Stock Market Recap – September 2024

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Month in Review

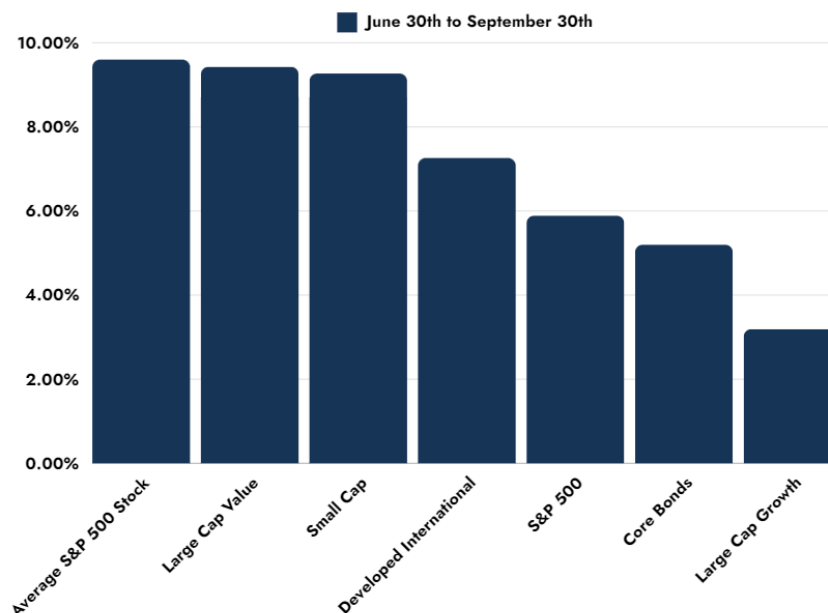
- Stock and bond markets continued to rally in September, following the Federal Reserve’s first interest rate cut.
- Gains expanded beyond market leaders, such as large cap growth and technology stocks, with broader participation within the S&P 500, large cap value, small cap stocks, and international stocks.
- The S&P 500 Index total return of +22.08% year-to-date as of September 30th represents its best start to a year since 1997, and the best start to a Presidential election year in its history.

What Happens Next: Market Rotation Following Rate Cuts?

The Federal Reserve reduced the Federal Funds Rate by 0.50% as expected in September, ending the rate hiking cycle that began in March 2022 and featured over 5% worth of interest rate increases.

The market’s outlook largely shifted in early July, when the June inflation report affirmed the outlook for declining inflation, clearing the way for the September rate cut. Since that period, stock and bond market leadership has shifted as the economic and fundamental outlook has changed.

Since June 30th (after the inflation report and rate cut), market leadership has broadened beyond the Magnificent 7 stocks. The Equal-Weighted S&P 500 Index rose +9.60%, ahead of the market-cap weighted S&P 500 TR Index (+5.89%). Within large cap stocks, large cap value gained +9.43%, ahead of large cap growth’s +3.19% gain. Small cap stocks also participated in broadening, with the Russell 2000 TR Index rising +9.27% during the third quarter. Lastly, core bonds (Barclays US Agg Bond TR Index) rose +5.20%, pulling ahead of money market funds in 2024 as short-term rates begin to decline. The changing environment highlights how dynamic financial markets can be and serves as a reminder of the importance of maintaining a diversified approach to investing.



Sources: Morningstar, June 30th to September 30th. Average S&P 500 Stock = S&P 500 Equal Weighted TR Index, Large Cap Value = Russell 1000 Value TR Index, Small Cap = Russell 2000 TR Index, Developed International = MSCI EAFE NR Index, S&P 500 = S&P 500 TR Index, Core Bonds = Bloomberg US Agg Bond TR Index, Large Cap Growth = Russell 1000 Growth TR Index.

What’s on Deck for October?

- Labor market data will be watched closely as investors look for information ahead of the Federal Reserve’s meetings in November and December.

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