

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- The Federal Reserve (Fed) met this past Wednesday and decided to cut interest rates by 0.50%, marking their first move since ending interest rate hikes in July. The new target range for interest rates is now 4.75% to 5.00%.
- Interest rates are typically cut when economic activity in the U.S. starts to deteriorate, but this rate cut came amid strong economic output as measured by the Gross Domestic Product (GDP) and a healthy job market.
 - The Fed was proactive with this rate cut, intending to get ahead of any kind of economic weakness and allow the U.S. economy to avoid a recession.
- This rate cut also marks the end of a historic rate hiking cycle, which saw the highest interest rates in over two decades to combat a rise in inflation after the pandemic.
 - Broad measures of inflation have come back near the Fed's 2% target but remain slightly elevated.

How does the interest rate decision impact you?

- A lower benchmark interest rate will trickle down into other parts of the economy. As rates rose throughout 2022 and 2023, everything from mortgage rates to small business loans, to interest paid on credit cards rose.
 - Now that interest rates are declining those should also see a downward move, as will yields earned on short-term interest-bearing securities like certificates of deposit and savings accounts.
- This is an attempt by the Fed to engineer a "soft landing" or a scenario in which inflation subsides without a recession.
 - This is difficult to accomplish because typically to rein in inflation, consumer demand has to weaken, which comes through an uptick in unemployment and lower consumer spending.



A LOOK FORWARD¹

- Investors will have their eyes on both GDP and the Personal Consumption Expenditures Price Index (PCE) this week.
 - These will provide insights to both investors and the Fed on the overall state of the economy.

How do PCE and GDP impact you?

- To reiterate from above, a soft landing refers to a scenario where an economy slows down just enough to avoid recession while maintaining stable growth, employment, and inflation.
- GDP will give investors insight into the first half of the soft-landing mandate, indicating strong economic growth that supports employment and business investment.
- Meanwhile, Core PCE—excluding the volatile food and energy sectors—addresses the second half of the mandate.
 - A softening in Core PCE could strengthen the notion that inflation is moving towards the Fed's target of 2%.



MARKET UPDATE²

Market Index Returns as of 9/20/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.39%	4.76%	20.78%	33.64%	11.13%	15.61%
NASDAQ	1.51%	1.39%	20.21%	36.76%	7.62%	18.14%
Dow Jones Industrial Average	1.67%	8.04%	13.21%	25.92%	9.65%	11.62%
Russell Mid-Cap	1.72%	7.97%	13.33%	27.49%	5.11%	10.91%
Russell 2000 (Small Cap)	2.10%	9.10%	11.00%	26.89%	2.09%	8.85%
MSCI EAFE (International)	0.43%	4.98%	10.58%	20.00%	4.10%	7.52%
MSCI Emerging Markets	2.26%	2.68%	10.37%	18.68%	-1.66%	4.14%
Bloomberg Barclays US Agg Bond	-0.22%	5.45%	4.70%	11.17%	-1.65%	0.47%
Bloomberg Barclays High Yield Corp.	0.82%	5.13%	7.84%	15.14%	2.96%	4.62%
Bloomberg Barclays Global Agg	-0.25%	6.67%	3.29%	10.75%	-3.64%	-0.89%



OBSERVATIONS

- Stocks continued their rally on the back of the Fed rate cut.
 - The Russell Small-Cap (+2.10%) led major indexes, followed by the Russell Mid-Cap Index (+1.72%).
 - Large-cap stocks performed well additionally, with the Dow Jones leading the large caps (+1.67%), followed closely by the tech-dominated NASDAQ (+1.51%), and the S&P 500 (+1.31%).
- Emerging market economies outperformed domestic stocks rising +2.26%, while international developed markets rose but lagged the domestic benchmarks (+0.43%).
- Despite the Fed cutting interest rates, bond yields remained unchanged. Both the domestic and international bond indices fell. The high-yield bond index was the outlier, rising 0.82% on the week.



BY THE NUMBERS

- **Israel detonated a series of pagers and walkie-talkies in Lebanon:** Early last week there was a series of detonations on low-tech equipment utilized by the Lebanon-based terrorist group Hezbollah. The strikes are estimated to have injured more than 3,000 and killed over 30. Israel announced a new war objective preceding the strikes, noting that they will be focusing on the safe return of their population to northern Israel which has been displaced by Hezbollah bombardment via rockets since October of 2023. There are concerns of a larger conflict erupting past the rocket fire the two have been exchanging although there have been no declarations of war by either side, tensions remain high. The U.S. and others have pushed both sides to avoid any significant escalation. Washington said it was not aware of the “incident” in advance, but Ben Rhodes, a deputy national security adviser under President Barack Obama, told the BBC on Wednesday that the “fairly indiscriminate use of violence” in the pager attacks was not something the U.S. would have wanted.³
- **Shohei Ohtani blasts his way into baseball history as the first member of the 50-50 club:** The 30-year-old Japanese sensation crushed three home runs in the Dodgers’ 20-4 victory over the Marlins to become the first baseball player to hit 50 home runs and steal 50 bases in one season in Major League Baseball history. There have been nearly 21,000 players since 1876, according to the Baseball Almanac, and Ohtani became the founding member of the 50-50 club. “This game has been around for a long time,” Dodgers manager Dave Roberts told The Los Angeles Times on Thursday. “And to do something that’s never been done — he’s one of one.” The record was broken in style, with Ohtani going 6-for-6 at the plate and hitting three home runs, and two doubles in a game that clinched the Dodgers a spot in the postseason.⁴

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Federal Open Markets Committee: The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

Consumer Price Index CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays 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 Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 9/20/2024

² Data obtained from Morningstar as of 9/20/2024

³ [Why did Israel blow up Hezbollah pagers and walkie-talkies — and what might happen next? \(nbcnews.com\)](https://www.nbcnews.com/news/why-did-israel-blow-up-hezbollah-pagers-walkie-talkies-and-what-might-happen-next-rcna123456)

⁴ [Shohei Ohtani becomes first member of baseball's 50-50 club - Los Angeles Times \(latimes.com\)](https://www.latimes.com/sports/baseball/story/2024-09-19/shohei-otani-becomes-first-member-of-baseball-s-50-50-club)