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Market Update

SO MANY OPINIONS:

There are so many opinions on so many subjects. Opinions about the economy, the markets, world affairs and of course the upcoming election. Sometimes we want to go into a quiet space just to decompress.

The 3rd quarter started off with some weak job numbers and renewed concerns that the economy was slowing down. This prompted more drumbeats for the Federal Reserve to act on interest rates. And so, they did, cutting by what was called an "aggressive" 50 basis points.

As the quarter progressed, confidence was rebuilt in both the economy and the markets. September offered a stronger jobs report, and with it, a firmer stock market. Companies now saw lower rates as providing a strong "tailwind" for earnings. Any talk about a looming recession seems to have been replaced by the idea of a "soft-landing."

The Fed seems focused on maintaining economic growth with inflation hopefully under control. Future rates cuts appear to be fewer than were projected earlier in the year. Three quarter point reductions are projected between now and year-end, with a Fed Funds rate expected to be in a range of 3.25% to 3.5% by June next year. (Jan Hatzius, Chief US Economist; Goldman Sachs 10/16/24)

With a contentious US election, tragic weather events hurting and dislocating so many people, and increased global tensions in the Middle East and Ukraine, the market's resilience has been somewhat surprising. Each of this year's news stories could have provided an investor with a reason to pause.

Again, so many opinions as to what is behind the renewed optimism for the markets. Are investors simply complacent? Is there so much idle capital on the sidelines that it just must be invested? Or perhaps it is those mathematical algorithms that push the market higher each day. Whatever the reason, markets are known to march to their own drummer until convinced otherwise and view such external factors as just "noise" and a distraction.

As we move to year's end, there are some diverging opinions worth noting. Despite signs of wage growth, lower gas prices and some modest relief at the grocery, some consumers feel they are barely getting by. Insurance premiums are up significantly, and rental/ housing costs are stubbornly high. Spending for the holiday season, considered an important contributor to economic growth, will be watched closely.

Going into the last months of the year, we will be watching the election, the state of current global conflicts and the tough rebuild from that hard hit from Mother Nature. We wouldn't be surprised if we experience more market volatility as we count down the days to the holiday shopping season and the end of the year.

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