Market Update – September 23, 2024

The Weekly Briefing

After a dramatic leadup to the September FOMC meeting, Fed officials opted to cut the federal funds rate by 50 basis points instead of 25. Markets wavered in the immediate aftermath of the decision before ending the week on a high note. This size cut confirmed that the Federal Reserve's concerns have pivoted from inflation to the labor market. Front-loading the cutting cycle helps ensure that policy doesn't stay overly restrictive for too long, which could cause further slowing in the job market. Deliberations over the size of this week's rate cut received extensive coverage, but the trajectory of the U.S. economy depends more on the longer-term path of interest rates. Moving forward, a faster pace of policy easing is likely to accompany recessionary conditions, while a more gradual return to the neutral rate bodes better for the elusive soft landing.

In June, the Fed's median forecast implied just one 25 basis point cut in 2024, but projections changed quickly. Just three months later and the Fed has already cut rates by twice the June forecast, with the committee narrowly expecting two more 25 basis point cuts before year-end. How did we get here? Inflation data disappointed to start the year but improved in the 2nd quarter. Employment data took the opposite trajectory. The Fed believes these trends will persist but at a measured pace. The September Summary of Economic Projections indicated a consensus outlook for continued moderation of price increases and a gradual weakening in employment data. Core PCE inflation is now seen ending the year at 2.6% and returning to the 2% target in 2026. In June, the committee saw Core PCE ending the year at 2.8%. The unemployment rate is now projected to end the year at 4.4%, up 0.4% from June and projected to remain there through 2025. The growth outlook remained relatively unchanged since June, with real GDP expected to grow at a 2% annualized rate for the next several years. The median projections, should they materialize, point to an economy headed for a soft landing.

Fed Chair Powell corroborated that outlook during the post meeting press conference where he struck a tone intended to dispel the notion that the larger sized cut signified that the committee had elevated concerns about the U.S. economy. He noted that there isn't "anything in the economy that suggests the likelihood of a downturn is elevated" and emphasized that the jumbo cut shouldn't be the expected pace at future meetings. The market expects the Fed to move at a faster pace than these comments suggest. Futures pricing implies a cumulative 75 basis points of additional rate cuts across the final two FOMC meetings of the year.

In global central bank news, the Bank of England opted to hold its policy rate at 5% and assess additional inflation data before further policy easing. Prices in the U.K. increased 2.2% since last year. The Bank of Japan held its policy rate at .25% after shocking markets at the July meeting with a surprise 25 basis point rate increase.

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
Manufacturing PMI	Consumer Confidence AZO	New Home Sales MU	2nd Quarter GDP- 3rd Estimate Jobless Claims Durable Goods Pending Home Sales COST ACN	Core PCE Consumer Sentiment

Market Snapshot

	Last Week	YTD	1yr
S&P 500	1.6%	21.0%	31.7%
DJIA	1.7%	13.2%	24.6%
Nasdaq 100	1.4%	18.3%	33.3%
Russell 2000	3.2%	12.2%	26.3%
S&P 500 E/W	1.8%	14.0%	24.0%
2yr Yield	3.58%	-0.67%	-1.59%
10yr Yield	3.71%	-0.17%	-0.69%
VIX	$16.15	3.70	1.01
WTI Crude	$71.95	0.4%	-20.3%
Gold	$2,586.74	25.4%	34.0%
Bitcoin	$63,042.09	50.3%	132.7%

Economic Summary

	Actual	Expected	Prior (r)
Retail Sales - m/m	0.1%	-0.2%	1.1%
Retail Sales - y/y	2.1%		2.9%
Core Retail Sales - m/m	0.1%	0.2%	0.4%
Housing Starts - m/m	1.356m	1.310m	1.237m
Existing Home Sales - m/m	3.86m	3.92m	3.96m
Initial Jobless Claims	219k	230k	231k
Continuing Claims	1829k	1,850k	1,843k

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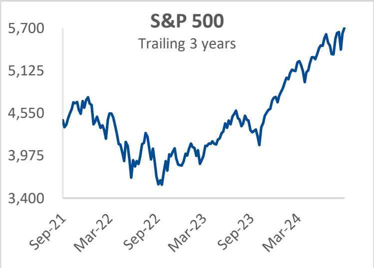
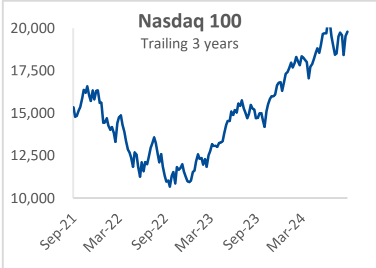
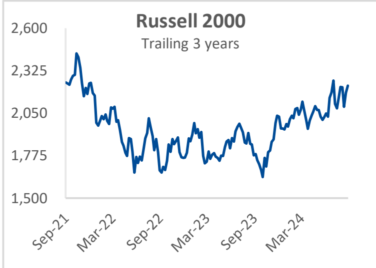
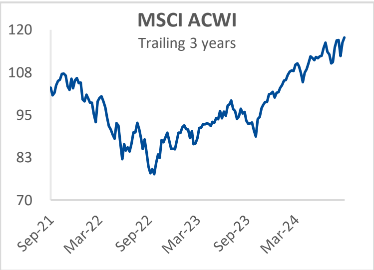
WEALTH MANAGEMENT

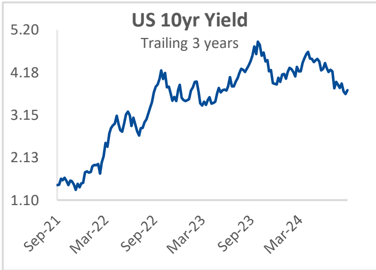
Markets Monitor

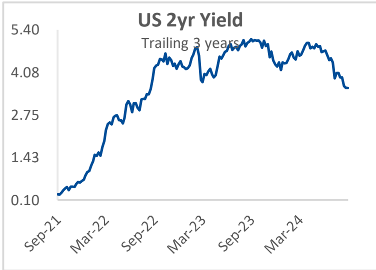


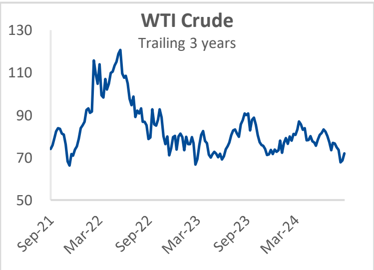












S&P 500 Sector Heatmap
Total Return YTD

S&P 500 20.8%	Comm. Services 23.4%	Cons. Discretionary 10.7%	Cons. Staples 17.6%
Energy 8.4%	Financials 22.8%	Healthcare 15.1%	Industrials 18.0%
Materials 11.4%	Real Estate 14.2%	Technology 16.2%	Utilities 29.4%

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WEALTH MANAGEMENT

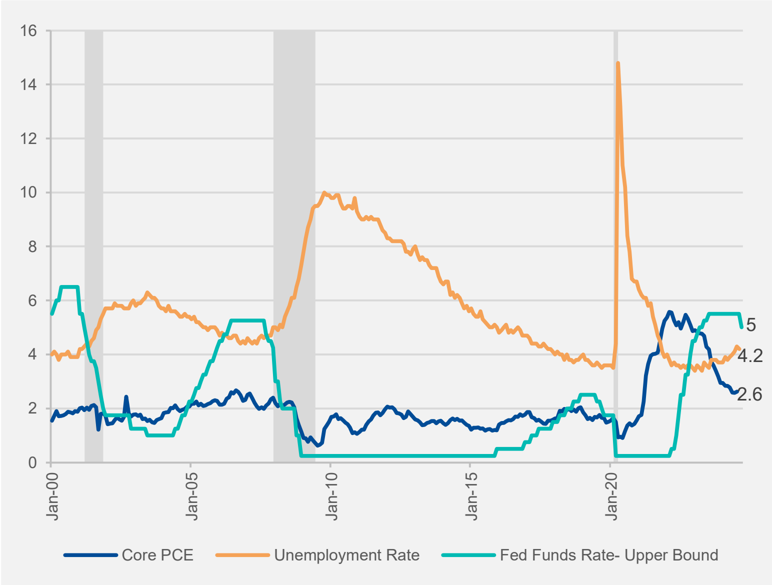
Last Week in Earnings

Ticker	EPS	Revenue	Price chg
GIS	Beat	Beat	0.7%
FDX	Miss	Miss	-15.3%
LEN	Beat	Beat	-5.3%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	1.5%	16.9%	26.3%
MSCI Europe	1.4%	12.0%	20.1%
MSCI APAC	1.3%	11.4%	17.4%
DXY Index	$100.79	-0.5%	-4.3%
EUR / USD	$1.12	-0.2%	2.6%
GBP / USD	$1.33	4.6%	7.9%
USD / JPY	$144.00	2.1%	-2.9%
USD / CNY	$7.05	-0.7%	-3.3%

The labor market has weakened more than usual prior to the start of recent cutting cycles, but unemployment remains at low levels. Despite progress, inflation remains higher than usual at the start of recent cutting cycles.



Sources: Bloomberg, Sunflower Bank, Logia Portfolio Management.

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