WEEKLY MARKET UPDATE | SEPTEMBER 20, 2024

The Fed makes the cut.

The economy

- U.S. stocks posted gains during the week ending September 20. There was a slight dip in the market on Wednesday despite the Federal Reserve's (Fed) announcement of a larger-than-expected interest-rate cut—its first rate reduction since the beginning of the COVID-19 pandemic in March 2020—as Fed Chair Jerome Powell cautioned that the central bank does not plan to accelerate the pace of rate cuts in the near term. However, stocks subsequently rallied the following day amid investors' optimism that the U.S. economy can achieve a soft landing. The Dow Jones Industrial Average and the broad-market S&P 500 Index closed at record highs on Thursday.
- By an 11-1 margin, the Federal Open Market Committee (FOMC) voted to reduce the federal-funds rate by 50 basis points (0.50%) to a range of 4.75% to 5.00% following its meeting on Tuesday and Wednesday. Fed Governor Michelle Bowman favored a 25-basis-point cut. According to a statement announcing the rate decision, the FOMC "has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance…The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the [FOMC's] goals."
- The Fed's so-called dot plot of economic projections indicated a median federal-funds rate of 4.4% at the end of 2024, down from its previous estimate of 5.1% issued in June, signaling that the central bank anticipates additional federal-funds rate cuts totalling roughly 50 basis points by the end of this year. The central bank also projected that the benchmark rate will drop another 100 basis points to 3.4% by the end of 2025. The Fed estimated that core inflation, as measured by the core personal-consumption-expenditures (PCE) price index, will end the year at an annual rate of 2.6%—modestly lower than the central bank's 2.8% forecast in March. The core personal-consumption-expenditures (PCE) price index is the Fed's preferred measure of inflation as it excludes volatile energy and food prices.
- At a news conference following the FOMC meeting on Wednesday, Fed Chair Powell noted that the central bank does not feel the urgency to implement more aggressive interest-rate reductions. "There is nothing in the [dot plot] that suggests the [FOMC] is in a rush," he said. Powell added that the Fed is "moving at a pace we think is appropriate." He also commented that the central bank is "committed to maintaining our economy's strength. This decision reflects our growing confidence that with an appropriate recalibration of our policy stance, strength in the labor market can be maintained." When asked if the larger rate cut was an effort by the central bank to compensate for not easing monetary policy sooner, Powell replied, "We don't think we are behind. We think this is timely but you can take this as a sign of our commitment not to get behind."
- The Census Bureau reported that U.S. retail and food services sales—a gauge of consumer spending, which comprises more than two-thirds of the nation's gross domestic product (GDP)—edged up 0.1% in August. Sales rose 2.1% over the previous 12-month period, down from the 2.7% annual increase in July. Miscellaneous store retailers and nonstore retailers posted year-over-year sales gains of 10.7% and 7.8%, respectively, over the previous 12-month period. In contrast, sales for gasoline stations fell 6.8% year-over-year in August as gasoline prices declined.

Stocks

- Global equities garnered positive returns for the week. Emerging markets outperformed developed markets.
- Major U.S. equity market indexes moved higher for the week. Energy and communication services were the top-performing sectors, while real estate and consumer staples were the main market laggards.
- Growth stocks led value, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 3.74% during the week.
- Global bond markets were virtually flat for the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of September 20, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.5%	15.5%	26.5%	839.5
MSCI EAFE ($)	1.2%	9.1%	17.9%	2440.6
MSCI Emerging Mkts ($)	1.6%	7.5%	15.0%	1100.2
US & Canadian Equities				
Dow Jones Industrials ($)	1.6%	11.6%	23.5%	42063.4
S&P 500 ($)	1.4%	19.6%	31.7%	5702.6
NASDAQ ($)	1.5%	19.6%	35.7%	17948.3
S&P/ TSX Composite (C$)	1.3%	13.9%	20.6%	23867.6
UK & European Equities				
FTSE All-Share (£)	-0.5%	6.4%	7.9%	4501.1
MSCI Europe ex UK (€)	1.1%	8.6%	14.2%	1829.0
Asian Equities				
Topix (¥)	2.8%	11.7%	10.9%	2642.4
Hong Kong Hang Seng ($)	5.1%	7.1%	3.4%	18258.6
MSCI Asia Pac. Ex-Japan ($)	1.9%	9.6%	17.7%	579.5
Latin American Equities				
MSCI EMF Latin America ($)	1.1%	-14.6%	-3.0%	2274.2
Mexican Bolsa (peso)	0.3%	-9.1%	0.5%	52190.5
Brazilian Bovespa (real)	-2.8%	-2.3%	12.8%	131065.4
Commodities ($)				
West Texas Intermediate Spot	4.8%	0.4%	-20.4%	72.0
Gold Spot Price	1.6%	27.0%	36.7%	2625.0
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.1%	3.4%	10.9%	487.6
JPMorgan Emerging Mkt Bond	0.7%	8.0%	16.7%	916.6
10-Year Yield Change (basis points*)				
US Treasury	9	-14	-75	3.74%
UK Gilt	13	37	-40	3.90%
German Bund	6	19	-53	2.21%
Japan Govt Bond	0	24	11	0.85%
Canada Govt Bond	4	-16	-102	2.95%
Currency Returns**				
US$ per euro	0.8%	1.1%	4.7%	1.116
Yen per US$	2.2%	2.0%	-2.5%	143.91
US$ per £	1.5%	4.7%	8.3%	1.332
C$ per US$	-0.1%	2.5%	0.6%	1.357

Source: Bloomberg. Equity-index returns are price only, others are total returns.
*100 basis points = 1 percentage point.
**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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