



# U.S. stocks rise on payrolls surprise.

## The economy

- Major U.S. equity market indexes moved higher during the week ending October 4, with weekly performance turning positive on Friday in response to a strong employment report. U.S. stocks spent much of the week in negative territory amid investors' worries about escalating geopolitical tensions in the Middle East, as well as a strike by unionized dockworkers on the East and Gulf Coasts. The Dow Jones Industrial Average closed at a record high on Friday.
- The Department of Labor reported that U.S. payrolls expanded by 254,000 jobs in September, which surpassed market expectations, and was a significant increase from the 159,000 added in August, which represented an upward adjustment of 17,000. The unemployment rate dipped 0.1 percentage point to 4.1%. Employment in food services and drinking places, health care, and government increased by 69,000, 45,000, and 31,000 positions, respectively, over the month. Average hourly earnings increased 0.4% in September, and rose 4.0% year-over-year. The 12-month advance was up from the 3.8% annual rise in August.
- According to the Department of Labor's Job Openings and Labor Turnover Survey (JOLTS), another gauge of the status of the U.S. labor market, job openings in the U.S. rose 329,000 (4.3%) to 8,040,000 in August (the most recent reporting period)—but were down significantly from the 9,358,000 openings a year earlier. The total remained well above the pre-COVID-19 level of 6,995,000 openings in February 2020. There were notable month-over-month increases in open positions in construction, and state and local government.
- Iran launched a large-scale missile strike on Israel on Tuesday in response to Israel's killing of Hezbollah leader Hassan Nasrallah on September 28. Hezbollah is an Iran-backed Shia militia based in Lebanon and is designated by the U.S. government as a Foreign Terrorist Organization. The Israeli government said that most of the roughly 200 missiles were either shot down or missed their targets, causing little damage. Israeli Prime Minister Benjamin Netanyahu said that his country would retaliate against Iran for the attack. The price of West Texas Intermediate (WTI) oil rose sharply on fears of a disruption in oil exports from the Middle East following Iran's military strike, as well as President Joe Biden's statement on Thursday that his administration is mulling support for a military strike by Israel on Iran's oil facilities. WTI spot prices rose 8.1% over the week to close at \$73.7.
- Members of the International Longshoremen's Association (ILA) went on strike on Tuesday after the labor union rejected the United States Maritime Alliance's (USMX) offer of a 50% wage increase over six years. The union had sought a 77% pay raise for the same period. ILA leaders also expressed concerns that automation in cranes, gates, and containers used in the loading of freight at U.S. ports would eliminate many jobs for its 45,000 union members working at ports from Maine to Texas. However, on Thursday, union leaders announced that they had reached a tentative agreement on wages, accepting USMX's offer of a 62% increase over six years, and suspended the strike until January 15, 2025, while the two sides negotiated other issues, including automation. J.P. Morgan had estimated that the walkout could have cost the U.S. economy between \$3.8 billion and \$4.5 billion per day.
- The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) posted a reading of 47.2% in September—unchanged from August—indicating contraction in the U.S. manufacturing sector for the sixth consecutive month. (A PMI reading under 50% indicates a decline in manufacturing activity.) The ISM's Employment Index remained in contraction territory at 43.9% in September, falling 2.1% from the prior month.

## Stocks

- Global equities posted negative returns for the week. Emerging markets outperformed developed markets.
- U.S. stocks gained during the week. Energy and telecommunications were the top-performing sectors, while materials and real estate were the main market laggards.
- Growth stocks led value, while large caps outperformed small caps.

## Bonds

- The 10-year U.S. Treasury note yield rose to 3.97% during the week.
- Global bond markets ended the week in negative territory.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

| The Numbers as of<br>October 4, 2024        | 1 Week | YTD    | 1 Year | Friday's Close |
|---|--------|--------|--------|----------------|
| <b>Global Equity Indexes</b>                |        |        |        |                |
| MSCI ACWI (\$)                              | -1.2%  | 15.9%  | 30.1%  | 842.3          |
| MSCI EAFE (\$)                              | -3.5%  | 8.2%   | 22.0%  | 2420.0         |
| MSCI Emerging Mkts (\$)                     | -0.1%  | 14.6%  | 26.1%  | 1173.0         |
| <b>US &amp; Canadian Equities</b>           |        |        |        |                |
| Dow Jones Industrials (\$)                  | 0.1%   | 12.4%  | 27.9%  | 42352.8        |
| S&P 500 (\$)                                | 0.2%   | 20.6%  | 35.1%  | 5751.1         |
| NASDAQ (\$)                                 | 0.1%   | 20.8%  | 37.2%  | 18137.9        |
| S&P/ TSX Composite (C\$)                    | 0.9%   | 15.3%  | 26.3%  | 24162.8        |
| <b>UK &amp; European Equities</b>           |        |        |        |                |
| FTSE All-Share (£)                          | -0.6%  | 7.0%   | 12.3%  | 4527.2         |
| MSCI Europe ex UK (€)                       | -2.4%  | 7.4%   | 16.6%  | 1809.5         |
| <b>Asian Equities</b>                       |        |        |        |                |
| Topix (¥)                                   | -1.7%  | 13.8%  | 19.0%  | 2694.1         |
| Hong Kong Hang Seng (\$)                    | 10.2%  | 33.4%  | 32.1%  | 22736.9        |
| MSCI Asia Pac. Ex-Japan (\$)                | 0.5%   | 17.8%  | 29.2%  | 623.0          |
| <b>Latin American Equities</b>              |        |        |        |                |
| MSCI EMF Latin America (\$)                 | -2.2%  | -17.0% | 2.7%   | 2210.6         |
| Mexican Bolsa (peso)                        | -0.3%  | -8.3%  | 6.4%   | 52618.5        |
| Brazilian Bovespa (real)                    | -0.7%  | -1.8%  | 16.3%  | 131791.6       |
| <b>Commodities (\$)</b>                     |        |        |        |                |
| West Texas Intermediate Spot                | 8.1%   | 2.9%   | -10.4% | 73.7           |
| Gold Spot Price                             | -0.2%  | 28.0%  | 45.5%  | 2645.4         |
| <b>Global Bond Indices (\$)</b>             |        |        |        |                |
| Bloomberg Global Aggregate (\$)             | -1.0%  | 2.7%   | 11.9%  | 484.1          |
| JPMorgan Emerging Mkt Bond                  | 0.0%   | 7.9%   | 20.0%  | 916.0          |
| <b>10-Year Yield Change (basis points*)</b> |        |        |        |                |
| US Treasury                                 | 22     | 9      | -75    | 3.97%          |
| UK Gilt                                     | 15     | 60     | -41    | 4.13%          |
| German Bund                                 | 8      | 19     | -67    | 2.21%          |
| Japan Govt Bond                             | 3      | 27     | 7      | 0.89%          |
| Canada Govt Bond                            | 24     | 9      | -94    | 3.20%          |
| <b>Currency Returns**</b>                   |        |        |        |                |
| US\$ per euro                               | -1.7%  | -0.6%  | 4.0%   | 1.098          |
| Yen per US\$                                | 4.6%   | 5.4%   | 0.1%   | 148.71         |
| US\$ per £                                  | -1.8%  | 3.1%   | 7.7%   | 1.313          |
| C\$ per US\$                                | 0.4%   | 2.5%   | -1.0%  | 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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