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ECONOMIC REVIEW¹

- The Personal Consumption Expenditures Price Index (PCE) was released on Friday and showcased the Federal Reserve's (Fed) progress in bringing inflation back to its 2% target.
- Headline PCE rose 2.2% year-over-year, and 0.1% month-over-month.
 - The core figure, which excludes the volatile food and energy components of the index, was in line with expectations, slightly rising to 2.7% from last month's 2.6% observed figure.
- Personal income is also released in this report. The headline figure rose 0.2%, despite wages rising at a robust 0.5% clip month-over-month.
- The final revisions to Gross Domestic Product (GDP) for the second quarter were released on Thursday. Although the reading remained unchanged at an annualized pace of 3.0%, the composition did change slightly.
 - This rendition of the report saw government spending contribute slightly more, and exports fall slightly alongside consumer spending.

How does GDP and inflation impact you?

- GDP is the key factor of economic output and one of the major ways to identify economic cycles. The average GDP growth rate is roughly 2% in any given year.
 - The annualized growth rate in the first quarter of this year was 1.6%, and 3.0% was the final reading for the second quarter.
 - The Atlanta Federal Reserve is projecting a 3.1% annualized pace in the third quarter.²
- PCE, particularly Core PCE, is the Fed's preferred inflation reading because it gives a more accurate picture of inflation's effect on consumers.
 - The headline PCE figure moderating towards the Fed's target is encouraging. However, with core services remaining elevated, the Fed is likely unwilling to declare victory on inflation, despite delivering the first rate cut since 2020 earlier this month.



A LOOK FORWARD¹

- The labor report will be released on Friday. It includes the number of jobs added to the economy, the unemployment rate, and key data on the number of available positions.
- ISM Manufacturing and Services data are also slated to be released this week.

How does the labor report and ISM data impact you?

- The labor report has become increasingly important as the Fed has shifted its focus away from its first mandate of price stability (inflation) and moved towards its second mandate of maximum employment.
 - This is one of the indicators that Fed officials are watching to determine how much to cut rates.
- The ISM reports, both manufacturing and services, will provide critical insights into the health of the economy.
 - Investors will look for hiring to stay steady in the services sector, which makes up 70% of economic activity.
 - Weakening economic or job growth could be reasons to accelerate the interest rate-cutting cycle.



MARKET UPDATE³

Market Index Returns as of 9/27/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.64%	5.43%	21.55%	35.40%	11.37%	15.99%
NASDAQ	0.96%	2.36%	21.37%	38.29%	8.46%	18.89%
Dow Jones Industrial Average	0.59%	8.68%	13.89%	28.19%	9.46%	11.85%
Russell Mid-Cap	1.00%	9.05%	14.46%	28.79%	5.28%	11.37%
Russell 2000 (Small Cap)	-0.13%	8.96%	10.85%	25.76%	1.37%	9.36%
MSCI EAFE (International)	3.75%	8.91%	14.73%	27.12%	5.86%	8.45%
MSCI Emerging Markets	6.21%	9.06%	17.23%	27.62%	0.31%	5.80%
Bloomberg Barclays US Agg Bond	-0.01%	5.44%	4.69%	11.77%	-1.28%	0.39%
Bloomberg Barclays High Yield Corp.	0.13%	5.26%	7.98%	15.91%	3.09%	4.71%
Bloomberg Barclays Global Agg	0.47%	7.17%	3.78%	12.51%	-3.07%	-0.82%



OBSERVATIONS

- Stocks climbed as inflation continued to moderate, and economic growth remained strong.
 - Large-cap stocks performed well, with the tech-heavy NASDAQ leading the large caps (+0.96%), followed by the S&P 500 (+0.64%), and the Dow Jones (+0.59%).
 - Mid-Caps led the week up 1.00%, but small caps lagged and fell -0.13%.
- Emerging market and international developed economies outperformed domestic stocks rising +6.21%, and +3.75% respectively, as the dollar weakened making way for strong international returns.
- Interest rates remained relatively rangebound on the week, which led to the US Aggregate Index falling one basis point (-0.01%), global bonds performed the best due to a weakening dollar (+0.47%).



BY THE NUMBERS

- **Hurricane Helene Ravages the Southeast, Killing at Least 22 and Leaving Millions Without Power:** Hurricane Helene killed at least 22 people and left millions without power across the Southeast before weakening on its way North Friday morning. Many Floridians woke up on Friday morning to extensive damage from the devastating flooding, high-speed winds, and heavy rain. Water levels in some parts of the region reached more than 15 feet above ground level in counties with strong storm surges. The deaths were spread across Florida, Georgia, North Carolina, and South Carolina as the storm caused widespread damage with intense winds and rain. The power outages span across Florida, Georgia, Virginia, and North and South Carolina, and affect over 4.3 million customers. The hurricane is now downgraded to a tropical storm but still expected to cause tropical tornadoes, and flash flooding in the coming days.⁴
- **New York City Mayor Eric Adams Indicted on Federal Charges** The former New York City Police Captain and current mayor has been charged with bribery, wire fraud, conspiracy, and two counts of soliciting campaign contributions from foreign nationals. Adams, who was elected in 2021, has denied wrongdoing and stated that he does not plan to resign although New York Governor Kathy Hochul is allegedly considering removing Adams from office after the indictment was unsealed. The charges allege that Mayor Adams sought and accepted benefits from foreign businesspeople that include illegal campaign donations, as well as luxury travel benefits. The case alleges that this took place from 2016 to 2023. Mayor Adams has officially plead not guilty on all counts.⁵

Economic Definitions

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

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.

Job Openings and Labor Turnover Survey – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

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 represents 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.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 9/27/2024

² [GDPNow - Federal Reserve Bank of Atlanta \(atlantafed.org\)](https://www.federalreserve.gov/econres/gdpnow/)

³ Data obtained from Morningstar as of 9/27/2024

⁴ [Hurricane Helene ravages the Southeast, killing at least 22 and leaving millions without power \(msn.com\)](https://www.msn.com/en-us/news/nature/hurricane-helene-ravages-the-southeast-killing-at-least-22-and-leaving-millions-without-power)

⁵ [NYC Mayor Eric Adams pleads not guilty to charges in federal corruption case \(msn.com\)](https://www.msn.com/en-us/news/politics/nyc-mayor-eric-adams-pleads-not-guilty-to-charges-in-federal-corruption-case)

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