

Market Review



Snapshot

U.S. stocks advanced for the fifth straight month and rose to several record highs in September, leading to another quarterly gain. Non-U.S. stocks also posted upbeat monthly and quarterly returns. Meanwhile, U.S. bonds rallied in September and for the quarter.

- U.S. stocks gained more than 2% in September as inflation slowed, growth persisted and the Fed launched its first easing campaign in four years. The S&P 500 Index's monthly gain led to a 5.9% third-quarter return and year-to-date gain of 22.1%.
- Most S&P 500 Index sectors advanced in September and for the third quarter. Utilities was the top sector performer for both periods, while energy was the weakest.
- Non-U.S. developed markets stocks also advanced for the month, and they outperformed U.S. stocks for the quarter. With China's stock market surging 24% in September, emerging markets stocks advanced and outperformed their developed markets peers for the month and quarter.
- The Fed announced an aggressive 50-bps rate cut in September amid signs of labor market weakness. The European Central Bank cut rates another 25 bps, while the Bank of England left its target rate unchanged after easing in August.
- The annual rate of U.S. headline inflation slowed to 2.5% in August from 2.9% in July, while core inflation was unchanged at 3.2%. Inflation eased in Europe and held steady in the U.K.
- In the U.S., large-cap stocks outperformed small-caps in September but lagged for the quarter. Growth stocks outpaced value stocks for the month but underperformed for the quarter.
- U.S. Treasury yields declined for the month and quarter, and the broad bond market advanced for both periods.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	2.14	5.89	22.08	36.35	11.91	15.98	13.38
U.S. Small-Cap Equity							
Russell 2000	0.70	9.27	11.17	26.76	1.84	9.39	8.78
Intl. Developed Markets Equity							
MSCI World ex USA	1.11	7.76	13.10	24.98	5.65	8.36	5.68
Emerging Markets Equity							
MSCI Emerging Markets	6.68	8.72	16.86	26.05	0.40	5.75	4.02
Global Real Estate Equity							
S&P Global REIT	3.13	16.04	12.96	30.43	1.90	2.54	4.92
U.S. Fixed Income							
Bloomberg U.S. Aggregate	1.34	5.20	4.45	11.57	-1.39	0.33	1.84
Global Fixed Income							
Bloomberg Global Aggregate Bond	1.70	6.98	3.60	11.99	-3.06	-0.83	0.57
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.43	1.36	4.08	5.52	3.57	2.33	1.63

Data as of 9/30/2024. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Equity Returns | Size and Style

U.S.				
	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	9.43	3.19	16.68	24.55
Small	10.15	8.41	9.22	13.22

- The broad U.S. stock market index rose for the quarter, pushing its year-to-date gain to more than 22%. Size and style indices also advanced.
- Small-cap stocks rallied more than 9% and outperformed their large-cap peers for the quarter. Year to date, large-cap stocks gained more than 21%, while small-caps returned 11%.
- Value stocks outperformed growth stocks across the board in the third quarter. Year to date, growth outpaced value among small- and large-caps but underperformed in the mid-cap arena.

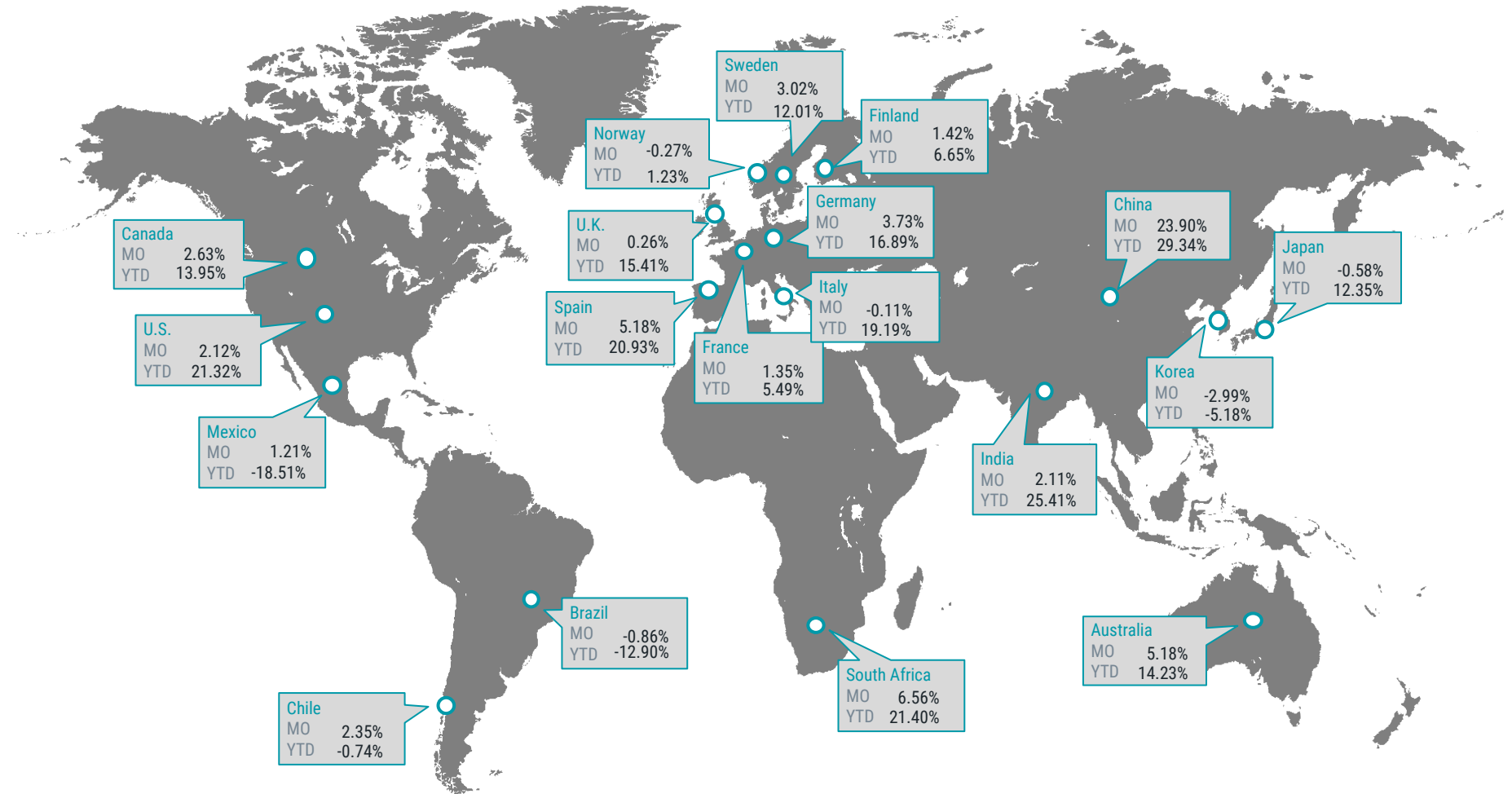
Non-U.S. Developed Markets				
	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	9.61	5.02	14.72	12.26
Small	10.92	9.98	12.05	11.01

- Non-U.S. developed markets stocks rallied and outperformed U.S. stocks for the quarter. Year to date, they lagged their U.S. counterparts.
- Small-cap stocks gained more than 10% for the quarter and outperformed large-cap stocks. Year to date, large-caps gained more than 13% versus nearly 12% for small-caps.
- Across the board, value stocks outperformed their growth peers for the quarter and year to date. Large-cap value stocks were the top year-to-date performers, up nearly 15%.

Emerging Markets				
	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	7.95	9.37	15.78	20.52
Small	5.96	5.00	14.28	11.55

- The emerging markets (EM) stock index rallied nearly 9% for the quarter and outperformed the developed markets. Year to date, EM stocks outpaced non-U.S. developed markets but lagged U.S. stocks.
- Large-cap stocks outperformed small-caps for the quarter. Year to date, large-caps gained more than 18% versus nearly 13% for small-caps.
- In the large-cap space, growth outperformed value for the quarter and year to date. Among small-caps, value outperformed for both periods.

Equity Returns | Country



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Fixed-Income Returns

Amid expectations for the Fed to start cutting interest rates in September, U.S. Treasury yields steadily declined in the quarter, particularly among short-maturity securities. The broad U.S. bond index advanced for the month and quarter.

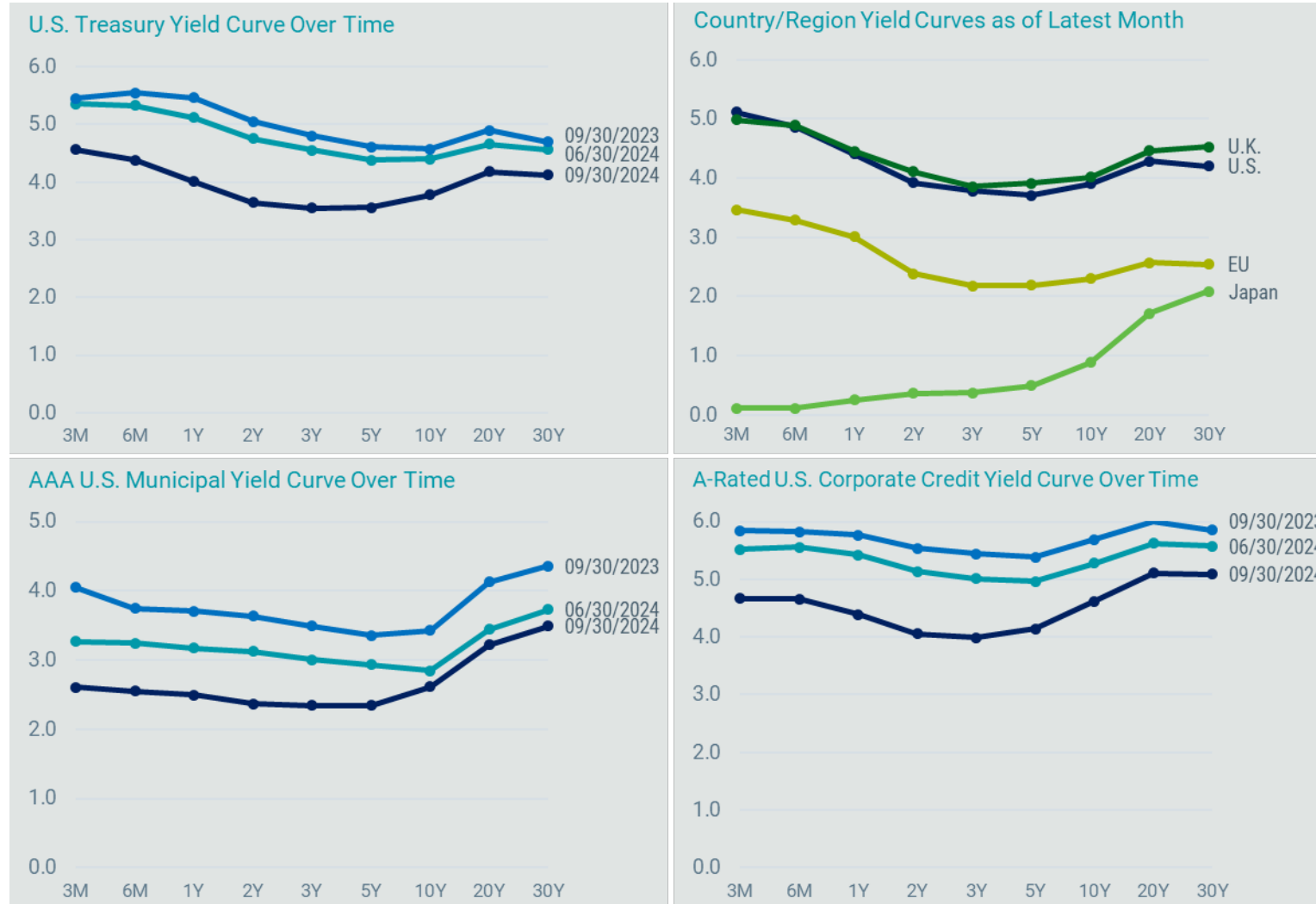
- The Bloomberg U.S. Aggregate Bond Index returned 5.2% for the second quarter, and its year-to-date gain climbed to 4.5%.
- Treasury yields declined. The 10-year note ended the quarter at 3.70%, 61 bps lower than June 30. The two-year Treasury yield dropped 112 bps to 3.65%, and the yield curve's slope turned positive for the first time in more than two years.
- Credit spreads were volatile but ended the quarter tighter. Investment-grade corporates rallied and outperformed Treasuries, MBS and the broad bond index. MBS also outperformed Treasuries and the bond index. High-yield corporates also advanced for the quarter.
- Amid signs of resilient economic growth, slowing inflation and labor market weakness, the Fed cut its target lending rate in September for the first time since March 2020. The 50-bps move pushed the federal funds rate to a range of 4.75% to 5%. Fed officials also suggested more easing is in store.
- Headline Consumer Price Index (CPI) slowed for the fifth straight month to an annualized pace of 2.5% in August. Annual core CPI was 3.2% in August, unchanged from July. Annual core PCE, the Fed's preferred inflation gauge, inched up in August, to 2.7% from 2.6% in July.
- Municipal bonds delivered gains for the month and the quarter but lagged Treasuries.

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Global Fixed Income							
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U.S. Fixed Income							
Bloomberg U.S. Aggregate	1.34	5.20	4.45	11.57	-1.39	0.33	1.84
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	1.62	5.28	8.00	15.74	3.10	4.72	5.04
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	1.77	5.84	5.32	14.28	-1.18	1.16	2.93
Municipals							
Bloomberg Municipal Bond	0.99	2.71	2.30	10.37	0.09	1.39	2.52
U.S. TIPS							
Bloomberg U.S. TIPS	1.50	4.12	4.85	9.79	-0.57	2.62	2.54
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	1.20	4.74	3.84	9.72	-1.78	-0.20	1.34
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.43	1.36	4.08	5.52	3.57	2.33	1.63

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Global Yield Curves



Data as of 9/30/2024. Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).