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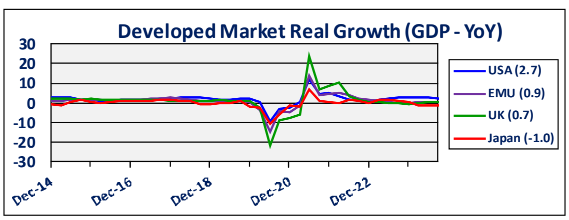
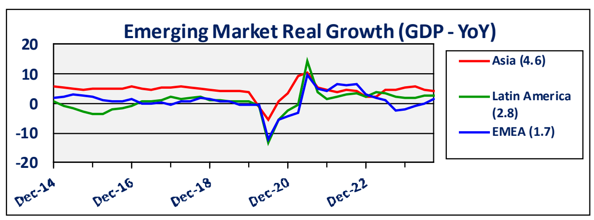
Third Quarter 2024

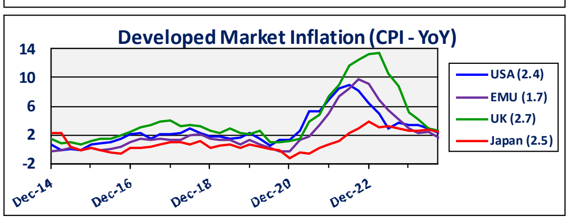
Global Market and Economic Perspective

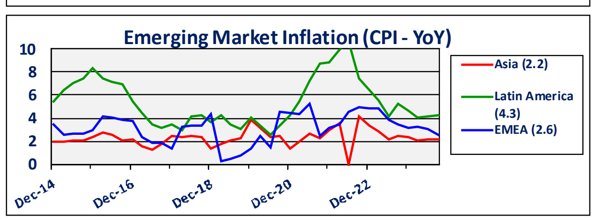
Global Economic Commentary

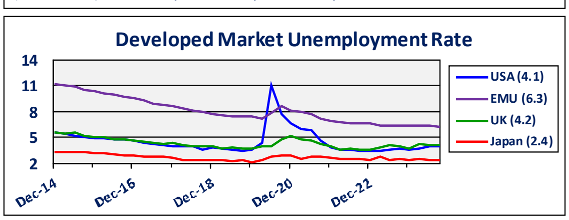
- **Growth in real output in the US continued to outpace real GDP growth in other developed economies during the third quarter. Strong consumer spending, especially in durable goods, was the largest contributor to the nearly 3% GDP number. In contrast, investment spending was soft, with residential and non-residential structures particularly weak. After a fairly long spell of little growth or even decline, defense spending by the Federal government also rose strongly. The solid data have started to call into question whether the Fed will continue to aggressively cut rates, as had been expected earlier in the year.**
- **Real growth in the Eurozone was low – less than 1% annualized – but was actually a bit better than consensus expectations. Despite continued weakness in the Japanese economy and a deceleration in inflation, the BoJ hiked their policy interest rate to 0.25%. China remained mired in a property market downturn, which has adversely affected debt markets and left GDP growth below the government's 5% target.**
- **Inflation in most developed countries outside the US remained very low. In the US, inflation continued to run above the Federal Reserve's target of 2%. The Fed's preferred measure – PCE deflator – fell to 2.1% year-over-year in the third quarter. Unfortunately, the core PCE measure appears to be "stuck" around 2.5% y-o-y, which could presage a mild resurgence in the full PCE inflation measure.**
- **The unemployment rate in the US has risen off its 2023 lows, but much of this has been driven by increased numbers of entrants into the labor force rather than layoffs or economic weakness.**

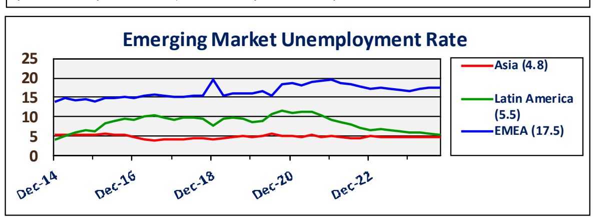












Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index.
Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

Global Market and Economic Perspective – Q3 2024

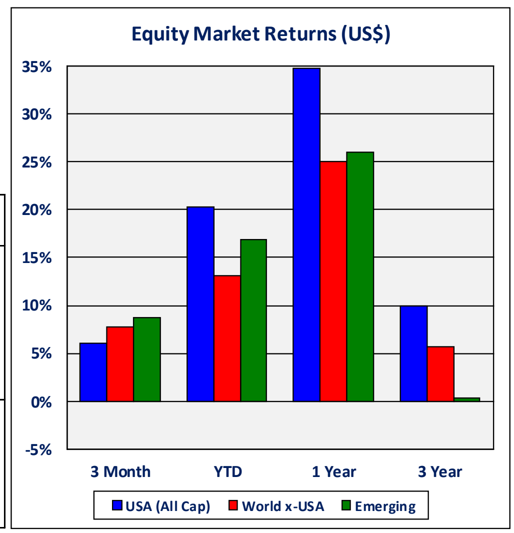
Global Equity and Currency Commentary

- **Equity markets worldwide produced strong returns in the third quarter. In the US, the value sector and small-cap stocks had a good quarter, although their returns were not good enough to overcome their underperformance relative to growth and large-cap stocks in the first six months of 2024. The US market continued to benefit from strong US economic growth and productivity gains.**
- **Outside the US, developed markets equities and emerging markets equities delivered nearly identical returns. The source of the returns differed substantially, however. In developed markets, three-quarters of the return in Q3 came from currency strength relative to the US dollar. In emerging markets, that was reversed, with three-quarters of the return derived from local equity market returns and only a quarter due to currency gains. The Australian and Canadian equity markets, traditionally viewed as "commodity" countries, produced particularly strong returns. The Chinese stock market rallied in late September on the government's announcement of a large stimulus package. It remains to be seen whether this will provide any lasting structural help to China's economy and markets.**
- **Dollar weakness during the third quarter was attributed by many observers to the expectation that the Federal Reserve would be fairly aggressive in cutting interest rates. This would reduce the large yield advantage of US short-term bonds over non-US instruments. As a result, dollar investments were expected to become less attractive.**

Global Equity Market Returns (MSCI)

	Returns (US$)				Returns (Local)			
9/30/2024	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	**6.1%**	**20.3%**	**34.7%**	**9.9%**				
USA Growth	2.6%	25.3%	42.3%	11.1%				
USA Value	9.5%	17.3%	28.6%	9.1%				
USA SC Growth	6.8%	11.4%	25.7%	1.1%				
USA SC Value	10.7%	9.9%	26.0%	5.8%				
Foreign Developed								
World x-USA	**7.8%**	**13.1%**	**25.0%**	**5.6%**	**1.8%**	**12.5%**	**18.5%**	**8.1%**
Europe	6.6%	12.8%	25.2%	6.7%	1.6%	10.9%	17.2%	7.3%
Far East	7.6%	13.0%	21.6%	2.1%	-3.2%	14.2%	16.7%	9.3%
Australia	11.5%	14.2%	31.6%	8.3%	7.4%	12.4%	22.5%	9.7%
Canada	12.0%	14.0%	26.8%	7.1%	10.6%	16.8%	26.7%	9.4%
Emerging Markets								
Emerging	**8.7%**	**16.9%**	**26.1%**	**0.4%**	**6.6%**	**18.3%**	**25.0%**	**2.9%**
Asia	9.5%	21.6%	29.7%	0.8%	7.1%	22.3%	27.7%	3.1%
Latin America	3.7%	-12.5%	2.8%	7.2%	4.5%	-2.0%	12.1%	6.9%
EMEA	7.1%	10.0%	19.2%	-5.9%	5.1%	9.3%	16.7%	-0.8%

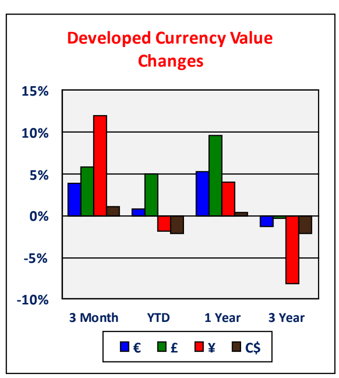
Annualized if greater than one year

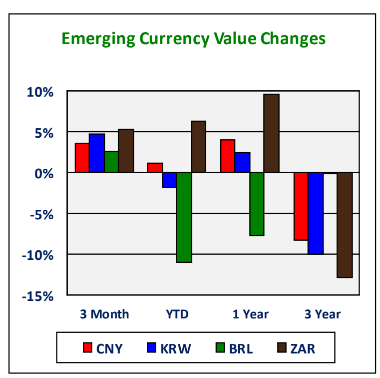


Foreign Exchange Rate History (Bloomberg)

	Current	Change (Foreign Currency versus $)			
9/30/2024	Level	3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	**1.11**	3.9%	0.9%	5.3%	-1.3%
British Pound (£)	**1.34**	5.8%	5.1%	9.6%	-0.2%
Japanese Yen (¥)	**144**	12.0%	-1.8%	4.0%	-8.2%
Canadian Dollar (C$)	**1.35**	1.1%	-2.1%	0.4%	-2.1%
Emerging					
Chinese Renminbi (CNY)	**7.02**	3.5%	1.2%	4.0%	-8.2%
Korean Won (KRW)	**1315**	4.7%	-1.8%	2.5%	-10.0%
Brazilian Real (BRL)	**5.45**	2.6%	-11.0%	-7.7%	-0.1%
South African Rand (ZAR)	**17.27**	5.4%	6.3%	9.6%	-12.7%

Annualized if greater than one year





Global Market and Economic Perspective – Q3 2024

US Fixed Income and Fed Commentary

- **Until shortly before the Federal Reserve meeting in mid-September, consensus expectations were that the FOMC would cut the Fed Funds policy interest rate by a quarter percentage point (25 bps). However, as the date of the meeting approached, expectations shifted toward a 50 bps cut, which is in fact what the FOMC delivered. Despite inflation not yet having returned to the Fed's 2% target and fairly robust economic growth, Chairman Powell stated that they felt a 50 bps cut was warranted because of an expected softening of the labor market.**
- **During the quarter, the yield curve finally moved to a more-normal upward sloping posture. For a long time, short-term interest rates were higher than long-term rates. But, with the Fed embarking on a course of cutting its short-term policy rate, the bond market finally reversed the inversion and priced long bonds to yield more than short bonds.**
- **As bond investors came to anticipate the FOMC's action to reduce interest rates, yields declined across maturities. As yields fell, bond prices rose and produced strong returns to most fixed income sectors, especially longer-term bonds which are the most sensitive to interest rate changes.**
- **In addition to declining yields, credit spreads narrowed modestly as equity markets rose. The spread narrowing further boosted returns on corporate bonds, high yield, and emerging market debt.**

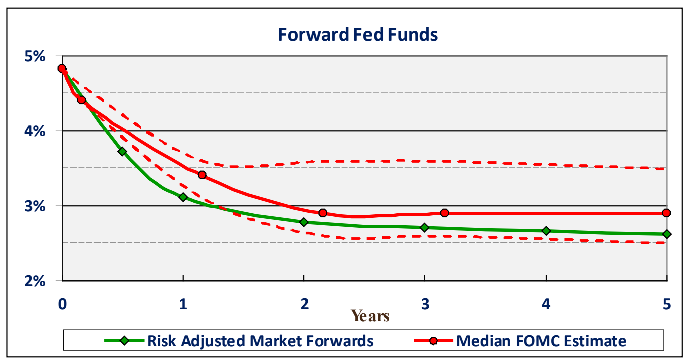
FOMC Fed Funds Rate Projections as of September 2024 Meeting

	Current	Dec-24	Dec-25	Dec-26	Dec-27	Long Run
Lower	4.83%	4.40%	3.10%	2.60%	2.60%	2.50%
Median	**4.83%**	**4.40%**	**3.40%**	**2.90%**	**2.90%**	**2.90%**
Upper	4.83%	4.60%	3.60%	3.60%	3.60%	3.50%

Market Implied Fed Funds Rate as of Oct 01, 2024

Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
4.83%	3.73%	3.11%	2.79%	2.71%	2.66%	2.62%

Notes
Upper and lower bands show central tendency for FOMC projections.
Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Bloomberg)

	Current Level	Change Through September 2024 3 Month	YTD	1 Year	3 Year
US Treasury					
Short	**3.65%**	-0.98%	-0.50%	-1.30%	3.15%
Intermediate	**3.68%**	-0.68%	-0.19%	-0.94%	2.40%
Long	**4.17%**	-0.44%	0.04%	-0.68%	2.15%
US High Yield					
Yield	**6.99%**	-0.92%	-0.60%	-1.89%	2.95%
Spread	***3.00%***	*-0.11%*	*-0.23%*	*-0.95%*	*0.12%*
Tax-Exempt Muni.					
Short	**2.45%**	-0.71%	-0.05%	-1.22%	2.08%
Intermediate	**2.78%**	-0.43%	0.16%	-1.07%	1.86%
Long	**3.50%**	-0.22%	0.14%	-1.01%	1.97%