WEEK OF OCTOBER 7, 2024

Market Update

A blowout jobs report helped propel the S&P 500 to its fourth consecutive week of gains.

Quick Hits

1. **Report releases:** Positive employment data led to a reassessment of a slowing economy.
2. **Financial market data:** Equities and yields rose on the back of the excellent jobs report.
3. **Looking ahead:** Inflation and Federal Reserve (Fed) meeting minutes will color rate policy expectations.

Report Releases: September 30–October 4, 2024

Institute for Supply Management (ISM) Manufacturing Index: September (Tuesday)

Manufacturer confidence was unchanged, leaving the index in contractionary territory for the month.

- Expected/prior ISM Manufacturing index: 47.5/47.2
- Actual ISM Manufacturing index: 47.2

ISM Services Index: September (Thursday)

Service sector confidence improved much more than expected, due in large part to a surge in new orders during the month.

- Expected/prior ISM Services index: 51.7/51.5
- Actual ISM Services index: 54.9

Employment Report: September (Friday)

Hiring surged, with an impressive 254,000 jobs added during the month. The unemployment rate fell to 4.1 percent, marking a three-month low.

- Expected/prior change in nonfarm payrolls: +150,000/+159,000
- Actual change in nonfarm payrolls: +254,000

>> The Takeaway

- After a string of softer reports, employment data was much better than expected, helping slow rate cut expectations.
- Service sector confidence improved much more than expected, leading to a solid week of economic data, marred only by a slightly lower-than-expected ISM manufacturing report.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.26%	−0.18%	21.86%	36.86%
Nasdaq Composite	0.12%	−0.27%	21.51%	38.13%
DJIA	0.13%	0.09%	14.03%	30.42%
MSCI EAFE	−3.73%	−2.24%	11.01%	26.90%
MSCI Emerging Markets	0.42%	0.73%	17.99%	30.75%
Russell 2000	−0.48%	−0.76%	10.32%	29.84%

Source: Bloomberg, as of October 4, 2024

The S&P 500 and Nasdaq Composite registered a fourth consecutive week of gains after Friday's impressive jobs report. That data helped bring back the soft-landing narrative after a few months of weaker economic data led to the Fed's 50 basis point (bps) rate cut. Oil prices rose, along with geopolitical tensions between Israel and Iran. This helped lead to energy outperformance. Underperformers included apparel manufacturers, trucking, regional banks, home builders, and electric vehicles.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−1.01%	3.40%	11.37%
U.S. Treasury	−1.11%	2.68%	9.22%
U.S. Mortgages	−1.00%	3.45%	12.28%
Municipal Bond	−0.02%	2.27%	10.76%

Source: Bloomberg, as of October 4, 2024

Yields rose across the curve after the jobs report, which lowered Fed rate cut expectations and caused investors to reassess economic growth expectations. After the employment report was released, the probability of a 50 bps rate cut in November dropped from roughly 50 percent to nearly 0 percent. The rise in shorter-term rates led to the Treasury yield curve inverting again because shorter-term rates rose more than long-term rates.

>> The Takeaway

- A blowout jobs report helped support equities, leading to a fourth consecutive week of gains.
- Yields rose as the narrative of a softening economy seemed to dissipate—along with the probability of another 50 bps rate cut next month.

Looking Ahead

This week, data will focus on the Fed's meeting minutes, inflation, and consumer sentiment.

- The week kicks off with the **trade balance**, which is expected to fall modestly in August after increasing notably in July.
- Meeting minutes from the September **Federal Open Market Committee (FOMC)**, expected on Wednesday, should provide insight into the decision-making that led to the 50 bps rate cut.
- On Thursday, the **Consumer Price Index report** for September will be released. It's expected to show that headline inflation dropped to 2.3 percent and core inflation remained unchanged at 3.2 percent.
- We expect two reports on Friday: the **Producer Price Index**, which is set to show a 0.1 percent monthly increase; and the University of Michigan consumer sentiment survey, which is expected to show a modest decline.

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