TD CAPITAL
WEALTH MANAGEMENT

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Global Market Commentary: Third Quarter 2024

Markets Have Strong 3rd Quarter

Global equity markets had a strong third quarter, with the Federal Reserve's decision to cut interest rates providing a significant tailwind for stocks. Mega-caps and smaller-caps reversed their underperformance from the second quarter, while tech names and growth stocks still performed decently. The DJIA hit 12 record highs in the third quarter, while the S&P 500 reached 11 new peaks, driven by a robust September rally that marked its best September since 2013 and extended its streak to five consecutive months of gains.

NASDAQ and the Russell 2000 are also closing in on their record levels, with the tech-heavy Nasdaq benefiting from strong earnings and momentum in large-cap tech, while the Russell 2000 has been buoyed by improved sentiment in smaller-cap stocks.

For the third quarter of 2024:

- The DJIA advanced 8.1%;
- The S&P 500 gained 5.3%;
- NASDAQ added 1.7%; and
- The Russell 2000 jumped 9.9%.

The themes driving market performance in the third quarter were largely influenced by the Federal Reserve's decision to cut rates by 50 basis points. While the Fed aims to engineer a soft landing, this significant rate reduction may signal concerns over potential weakness in the labor market.

Meanwhile, inflation appears to be hovering closer to the Fed's target, suggesting a complex balancing act between supporting growth and taming inflationary pressures.

Further, we saw that:

- Volatility, as measured by the VIX, trended up this quarter, leaping about 38%, with a huge spike in early August that has since subsided as the VIX ended the quarter at 16.87.
- West Texas Intermediate crude trended down most of the quarter, losing close to 20% and ending the quarter at $67.28/barrel. For comparison, this time last year crude prices were closer to $90/barrel.

Market Performance Around the World

Investors saw strong quarterly performance around the world too, as 35 of the 36 developed markets tracked by MSCI were positive for the third quarter of 2024. And for the 40 developing markets tracked by MSCI, 33 were positive.

Index Returns	3Q2024
MSCI EAFE	+6.65%
MSCI EURO	+6.77%
MSCI FAR EAST	+6.64%
MSCI G7 INDEX	+5.98%
MSCI NORTH AMERICA	+5.80%
MSCI PACIFIC	+7.40%
MSCI PACIFIC EX-JAPAN	+12.70%
MSCI WORLD	+6.02%
MSCI WORLD EX-USA	+7.15%

Source: MSCI. Past performance cannot guarantee future results

Sector Performance Rotated in Q32024

The overall sector performance in the third quarter was very strong, as 10 of the 11 S&P 500 sectors advanced, with only Energy (-3.12%) declining. This is in sharp contrast to the previous quarter, where about half of the sectors declined, as third quarter saw 8 sectors turn in better relative performance from quarter to quarter.

In addition, the range in sector-returns broadened considerably relative to previous quarters, with Utilities gaining more than 18% and Energy losing almost 3%.That is a very significant range in just three months.

Here are the sector returns for the third and second and quarters of 2024:

S&P 500 Sector	2Q2024	3Q2024
Information Technology	+13.48%	+1.44%
Energy	-2.12%	-3.12%
Health Care	-1.26%	+5.65%
Real Estate	-2.15%	+16.29%
Consumer Staples	+0.86%	+8.28%
Consumer Discretionary	+0.31%	+7.59%
Industrials	-3.19%	+11.15%
Financials	-1.88%	+10.22%
Materials	-4.65%	+9.20%
Communication Services	+8.78%	+1.42%
Utilities	+4.63%	+18.47%

Source: Fidelity Management & Research

Reviewing the sector returns for just the 3rd quarter of 2024, we saw that:

- 10 of the 11 sectors were painted green, as 8 improved saw relative performance improvement from the 2nd quarter;
- The tech-laden sectors – such as Information Technology and Communication Services –underperformed relative to previous quarters.
- The interest-rate and more defensive names (think Financials, Utilities and Materials) all performed very well, spurred by the Fed's rate cut;
- The Energy sector continued to struggle, as WTC Crude trended downward all quarter; and
- The differences between the best (+19%) performing and worst (-3%)[1] performing sectors in the third quarter was very wide.

Fed Makes Big Rate Cut of 50 bps

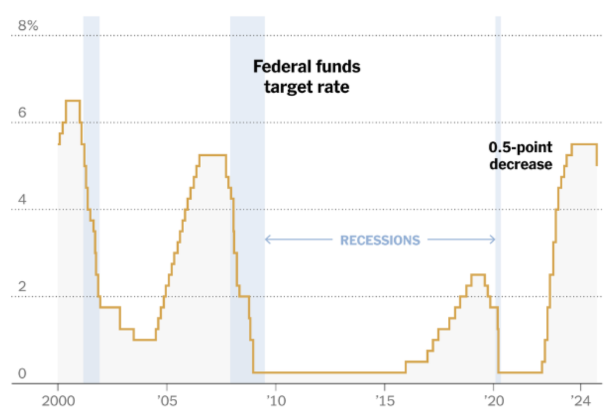
A major headline this quarter was the Federal Reserve's unexpected move to cut interest rates by 50 basis points, lowering the federal funds rate to a range of 4.75%–5.00%. This is the Fed's first rate cut in over four years, signaling a strategic pivot to support a slowing job market and stimulate economic growth as inflation shows signs of moderation.

The larger-than-usual cut, twice the size of a typical adjustment, heightened concerns that the Fed is more worried about the labor market's weakness than previously thought, even as inflation appears to be stabilizing.

Fed Chair Jerome Powell stated that "the time has come" for the central bank to act, indicating increased confidence that inflation is on track to reach its 2% target.

The decision follows a 14-month period of elevated rates that peaked at 5.25%, marking a significant shift in policy direction. Powell highlighted that the cut is aimed not only at managing inflation but also at reinforcing the job market's resilience.

Fed's Big 50 bps Rate Cut



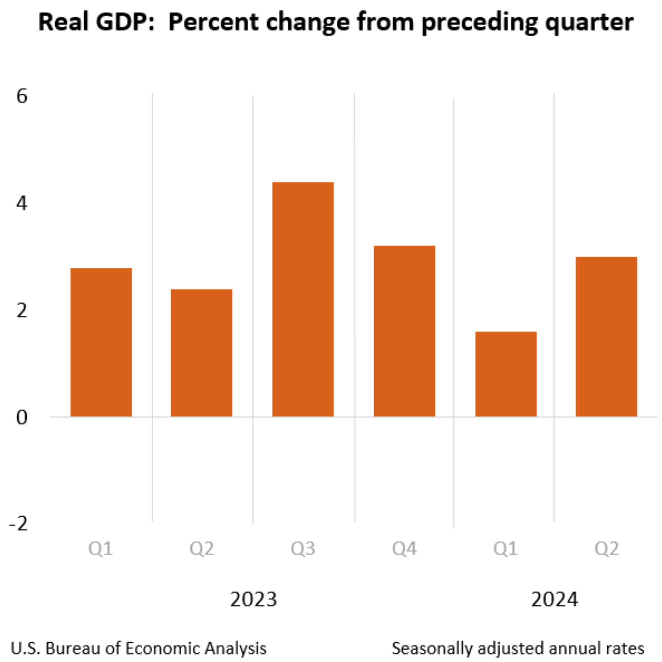
Markets are anticipating additional rate cuts in November and December, which could lead to more

1 YCharts, Inc. - Sector Summary

aggressive easing if the economic outlook remains uncertain. As Powell noted, "We have gained greater confidence that inflation is moving toward 2%," but risks to the broader economy remain.

GDP Increases 3.0% in 2Q

Real gross domestic product increased at an annual rate of 3.0% in the second quarter of 2024, according to the "third" estimate released by the U.S. Bureau of Economic Analysis. In the first quarter, real GDP increased 1.6%.

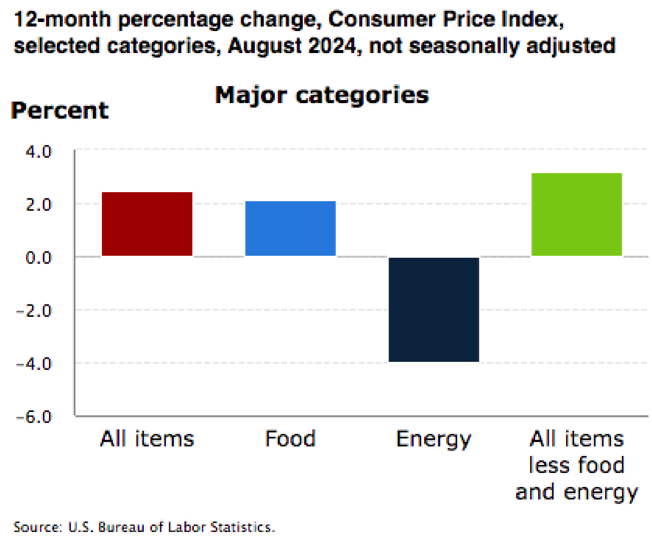


The increase in real GDP primarily reflected increases in consumer spending, private inventory investment, and nonresidential fixed investment. Imports increased.

Compared to the first quarter, the acceleration in real GDP in the second quarterly primarily reflected an upturn in private inventory investment and an acceleration in consumer spending. These movements were partly offset by a downturn in residential fixed investment.

Consumer Price Index Up Slightly

The Consumer Price Index for All Urban Consumers increased 0.2% on a seasonally adjusted basis, the same increase as in July, the U.S. Bureau of Labor Statistics reported on September 11th. Over the last 12 months, the all items index increased 2.5% before seasonal adjustment.



The index for shelter rose 0.5% in August and was the main factor in the all items increase. The food index increased 0.1% in August, after rising 0.2% in July. The index for food away from home rose 0.3% over the month, while the index for food at home was unchanged. The energy index fell 0.8% over the month, after being unchanged the preceding month.

The index for all items less food and energy rose 0.3% in August, after rising 0.2% the preceding month. Indexes which increased in August include: shelter, airline fares, motor vehicle insurance, education; and apparel.

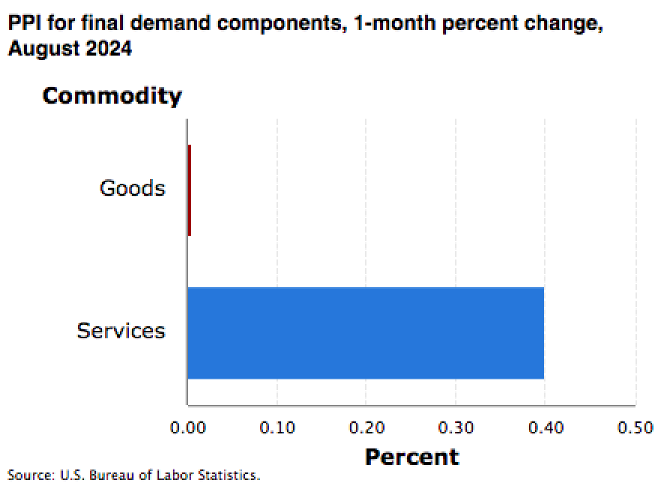
The indexes for used cars and trucks, household furnishings and operations, medical care, communication, and recreation were among those that decreased over the month.

The all items index rose 2.5% for the 12 months ending August, the smallest 12-month increase since February 2021. The all items less food and energy index rose 3.2% over the last 12 months. The energy index decreased 4.0% for the 12 months ending August. The food index increased 2.1% over the last year.

Producer Price Index Up Slightly

The Producer Price Index for August 2024 showed a modest increase, reflecting a mixed picture for different components of production costs. The index for final demand rose by 0.2% for the month and was up 1.7% over the past 12 months. The key categories showed varying trends:

- **Final Demand Goods:** Prices remained unchanged in August, following a 0.6% increase in July. The stability was due to a 0.9% decline in energy prices offset by a 0.2% rise in core goods (excluding food and energy) and a 0.1% increase in food prices.
- **Final Demand Services:** This component rose by 0.4% in August, driven by gains in trade services (+0.6%) and other categories.
- **Intermediate Demand:** Processed goods for intermediate demand fell by 0.1%, largely due to declines in processed energy prices. Unprocessed goods saw a sharp drop of 3.7%, mainly led by a 29.8% plunge in natural gas prices



Labor Market Showing Mixed Signals

The U.S. labor market in the third quarter of 2024 showed mixed signals. The unemployment rate remained relatively stable, hovering around 3.8% in September. However, jobless claims experienced fluctuations, indicating some ongoing uncertainties in labor demand.

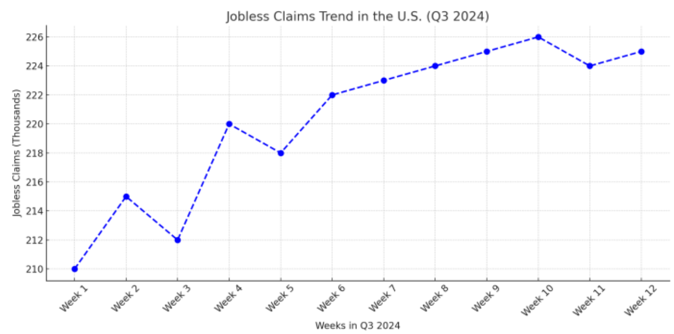
Jobless Claims Trends:

Initial jobless claims showed a moderate increase throughout the quarter, rising from approximately 210,000 per week at the beginning of the quarter to around 225,000 by the end of September. This slight uptick suggests a cooling in hiring, potentially linked to concerns over economic growth.

Unemployment Rate:

The unemployment rate held steady at around 3.8%, reflecting a strong labor market with solid job gains in sectors such as healthcare and professional services. However, some softness appeared in industries sensitive to interest rates, like construction and manufacturing, which have seen a slight increase in layoffs.

The following chart illustrates the trend in jobless claims over the third quarter of 2024.

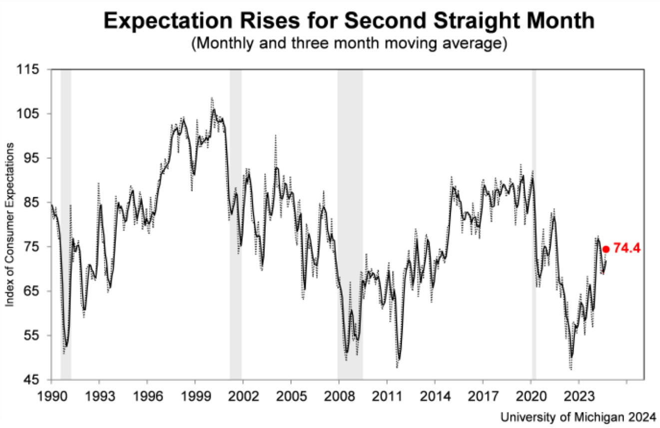


Consumer Sentiment Rises

According to the University of Michigan: “Consumer sentiment extended its early-month climb, ultimately rising more than 3% above August. This increase was seen across all education groups and political affiliations. Furthermore, all five index components gained, led by a 6% surge in one-year business expectations.

The expectations index is now 13% above a year ago and reflects greater optimism across a broad swath of the population. While sentiment remains below its historical average in part due to frustration over high prices, consumers are fully aware that inflation has continued to slow.

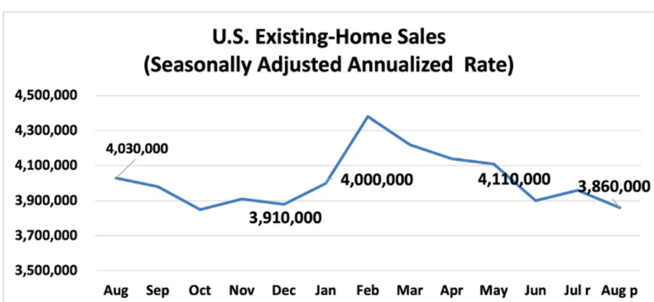
Sentiment appears to be building some momentum as consumers’ expectations for the economy brighten. At the same time, many consumers continue to report that their expectations hinge on the results of the upcoming election. Relative to August, consumers across political parties are increasingly expecting a Harris presidency, though about two-thirds of Republicans still expect Trump to win.”



Existing Home Sales Fall

Existing-home sales fell in August, according to the National Association of Realtors. Three out of four major U.S. regions posted sales declines while the Midwest registered no change. Year-over-year, sales slipped in three regions but remained stable in the Northeast.

Total existing home sales – completed transactions that include single-family homes, townhomes, condominiums and co-ops – descended 2.5% from July to a seasonally adjusted annual rate of 3.86 million in August. Year-over-year, sales retracted 4.2% (down from 4.03 million in August 2023).



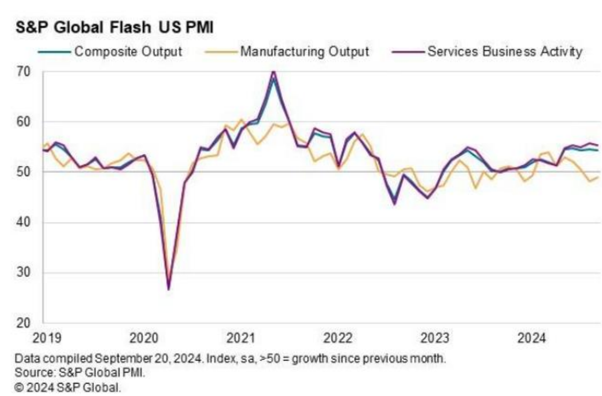
“Home sales were disappointing again in August, but the recent development of lower mortgage rates coupled with increasing inventory is a powerful combination that will provide the environment for sales to move higher in future months. The home-buying process, from the initial search to getting the house keys, typically takes several months.”

In addition:

- Total housing inventory registered at the end of August was 1.35 million units, up 0.7% from July and 22.7% from one year ago (1.1 million).
- Unsold inventory sits at a 4.2-month supply at the current sales pace, up from 4.1 months in July and 3.3 months in August 2023.
- The median existing-home price for all housing types in August was $416,700, up 3.1% from one year ago ($404,200).
- All four U.S. regions posted price increases.

Business Activity Remains Robust

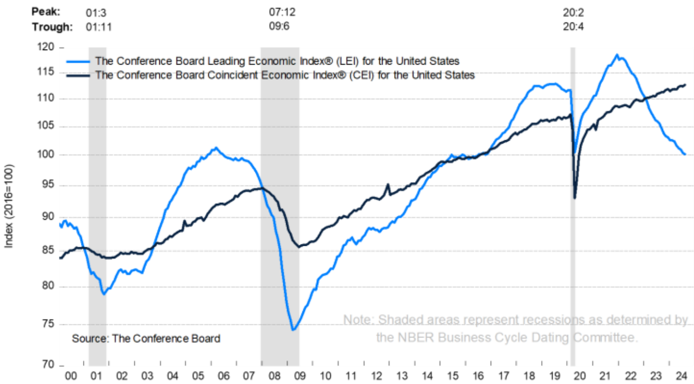
S&P Global also reported that: “US business activity growth remained robust in September, according to flash PMI survey data from S&P Global, signaling a sustained economic expansion over the third quarter. Only a small loss of momentum was evident in September, but growth disparities persisted. A further solid expansion of the service sector contrasted with a second successive month of modestly falling output in the manufacturing sector.



Leading Economic Index Inches Down

The Conference Board Leading Economic Index for the U.S. declined by 0.2% in August 2024 to 100.2 (2016=100), following an unrevised 0.6% decline in July.

The LEI has continued to fall in 2024, but the rate of decline has moderated since last year



Over the six-month period between February and August 2024, the LEI fell by 2.3%, a smaller rate of decline than the 2.7% drop over the six-month period between August 2023 and February 2024.

Sources: bea.gov; nar.realtor; spglobal.com; conference-board.org; umich.edu; msci.com; fidelity.com; nasdaq.com; wsj.com; morningstar.com