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ECONOMIC REVIEW¹

- New home sales increased 4.1% month-over-month in September to an annualized rate of 738,000, which beat consensus expectations. This marked the largest monthly gain since last year. Sales have risen 6.3% compared to a year ago.
 - Declining mortgage rates leading up to the Fed's rate cut in September likely increased demand for new home buyers last month.
- Existing home sales, however, fell -1.0% month-over-month in September to an annualized rate of 3.84 million. Sales have declined 3.5% compared to a year ago.
 - The sluggishness in existing home sales continues to show the imbalance in the housing market as owners with already low mortgage rates remain more hesitant to sell.
- Initial jobless claims for the week fell to 227,000 which came in below consensus expectations of 243,000.
- Continuing jobless claims for the week were higher than expected at 1.897 million. Continuing claims have increased over the last three weeks and reached their highest level since late 2021 as the labor market continues to moderate.
- Durable goods orders fell by -0.8% in September, which beat consensus expectations of a -1.0% decline.
 - Core durable goods orders, which exclude transportation equipment, rose 0.4% in September and beat expectations of a -0.01% decline.
- The University of Michigan Consumer Sentiment Index rose to 70.5 in October and is up 10.5% from last year due to unchanged inflation expectations and improvement in buying conditions from lower interest rates.

How does this most recent economic data impact you?

- The housing market has shown signs of improvement as new home sales have increased, but existing home sales have still been bogged down and experienced their lowest activity since 2010. Mortgage rates, after initially declining surrounding the Fed's rate cut in September, have rebounded again. In order to see a more robust pickup in housing activity it will likely take more rate cuts from the Fed to increase affordability.
- The labor market has continued to moderate but there hasn't been indications of widespread layoffs, which signals the Fed is more likely to cut interest rates by 25 basis points rather than 50 basis points at their meeting in November.



A LOOK FORWARD¹

- This week will provide a number of key economic data reports. Investors will be focused on the first estimate of third quarter's Gross Domestic Product (GDP), October's nonfarm payroll report, and the Personal Consumption Expenditure (PCE) deflator for September.

How do GDP, the labor market report, and PCE impact you?

- This week's economic data will provide key insights into how healthy the U.S. economy is heading into the end of the year. The jobs market and wage growth have been the backbone supporting consumers and any unanticipated weakness will create volatility in the market. The Federal Reserve will also be closely watching this data as it tries to balance its dual mandate of maximum employment and price stability after reducing its policy rate in September for the first time since 2020.



MARKET UPDATE²

Market Index Returns as of 10/25/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.96%	0.87%	23.14%	42.43%	9.98%	15.79%
NASDAQ	0.16%	1.83%	24.06%	48.14%	7.57%	18.51%
Dow Jones Industrial Average	-2.66%	-0.43%	13.45%	31.00%	7.79%	11.62%
Russell Mid-Cap	-1.98%	0.16%	14.82%	36.80%	3.70%	11.09%
Russell 2000 (Small Cap)	-2.99%	-0.95%	10.11%	35.19%	0.14%	8.66%
MSCI EAFE (International)	-1.98%	-4.30%	8.13%	24.79%	2.95%	6.62%
MSCI Emerging Markets	-1.75%	-3.04%	13.31%	27.77%	-1.75%	4.36%
Bloomberg Barclays US Agg Bond	-0.92%	-2.32%	2.03%	10.42%	-2.06%	-0.07%
Bloomberg Barclays High Yield Corp.	0.37%	-0.51%	7.46%	16.88%	3.00%	4.50%
Bloomberg Barclays Global Agg	-0.92%	-3.08%	0.40%	9.80%	-3.98%	-1.46%



OBSERVATIONS

- Stocks indices were mixed as investors await tech earnings and important economic data this week. The Nasdaq, the only index to post a positive return for the week, rose +0.16%, while the S&P 500 and Dow Jones fell -0.96% and -2.66%, respectively.
- Small and mid-cap stocks also posted negative returns for the week and underperformed both the S&P 500 and Nasdaq. Small-caps returned -2.99% and mid-caps fell -1.98%.
- International stocks also declined and underperformed the S&P 500 and Nasdaq. Developed markets returned -1.98%, and emerging markets posted a return of -1.75%.
- Fixed income indices were mostly negative last week as bond yields moved higher. The Global Aggregate Bond Index and the U.S. Aggregate Bond Index were both down -0.92%. The less interest rate sensitive High Yield Corporate Index finished positive for the week with a +0.37% return.



BY THE NUMBERS

- **FDA Eyes McDonald's Supplier's Onions as Source of E. Coli Outbreak:** The Food and Drug Administration said that it's investigating whether Taylor Farms, a supplier for McDonald's, is the possible source of the E. coli outbreak linked to Quarter Pounder hamburgers, which has killed at least one person and sickened nearly 50 others. In a notice to customers, distributor U.S. Foods said Taylor Farms announced a recall on four raw onion products out of an abundance of caution "due to potential E. coli contamination." The notice urged customers such as restaurants to stop using and destroy the affected products as soon as possible. Colorado restaurant chains, including Illegal Pete's and Taco Bell, also removed onions from their menu following the recall, according to local reports. Currently there are no signs of E. coli illnesses linked to those restaurants.³
- **Hurricane Helene's Damage, Related Expenses in North Carolina Estimated at \$53 Billion:** The catastrophic flooding and destruction caused by Hurricane Helene in western North Carolina likely caused at least a record \$53 billion in damages and recovery needs, Governor Roy Cooper's administration said. The state's previous record for storm damage was \$17 billion from Hurricane Florence, which struck eastern North Carolina in 2018. North Carolina state officials have reported 96 deaths from Helene, which brought historic levels of rain and flooding to the mountains in late September. The storm and its aftermath caused 1,400 landslides and damaged over 160 water and sewer systems, at least 6,000 miles of roads, more than 1,000 bridges and culverts and an estimated 126,000 homes, the budget office said. Some 220,000 households are expected to apply for federal assistance.⁴

Economic Definitions

Continuing Jobless Claims: Continuing claims are the number of people filing for unemployment benefits who have already filed an initial claim. To be included in continuing claims, the person must be covered by unemployment insurance and must be currently receiving benefits. They must have been unemployed for at least a week after filing the initial claim, per Department of Labor (DoL) specifications.

Durable Goods Orders: This concept tracks the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is working with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

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.

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of house sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

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.

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¹ Data obtained from Bloomberg as of 10/25/2024.

² Data obtained from Morningstar as of 10/25/2024.

³ [FDA eyes McDonald's supplier's onions as source of E. Coli outbreak \(msn.com\)](#)

⁴ [Hurricane Helene's damage, related expenses in North Carolina shattering records, estimated at \\$53 billion - CBS News](#)

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