

# Capital Markets Snapshot

Courtesy of The Davis Financial Group

Week ending November 1, 2024

Equity markets continued to slide for the second week, with the S&P 500 and NASDAQ posting weekly losses of over 1%, while the Dow's decline was fractional. The volatility was driven by concerns over the growth potential of technology stocks and artificial intelligence as well as increasing uncertainty in the outcome of Tuesday's presidential election. Despite the volatility, earnings momentum remained positive, with third-quarter earnings for S&P 500 companies on track to rise by an average of 5.1%. On the bond market side, U.S. government bond yields continued to rise, marking the sixth increase in the past seven weeks with the yield on the 10-year note jumping 12 bps from the prior week to close at 4.37%.

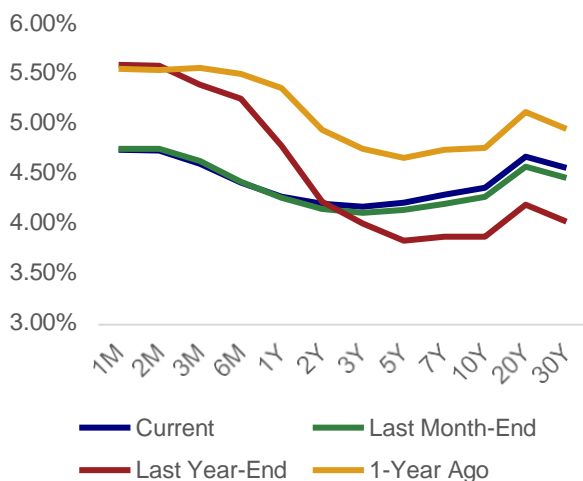
## Fixed Income Markets Overview

- The yield curve continues to flatten as rates of 1-year and less fell slightly while rates of 2-years and longer all experienced increases potentially due to core inflation coming in slightly above expectations and fiscal spending expectations increasing.
- As market participants continue to react to the incoming economic data, current expectations for the Federal Reserve are for two 25 basis points at their remaining November and December meetings and a total of 125 bps of cuts by year-end 2025.
- Mortgage rates have been on the rise for the fifth consecutive week, reaching their highest level since early August. Several key events in the coming week, such as the jobs report, the 2024 election, and the Federal Reserve's interest rate decision, are likely to contribute to continued volatility in mortgage rates.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	-0.1%	3.7%	1.4%	1.5%
	Core Plus				
Core Plus	Intermediate Govt/Credit	-0.4%	2.7%	-0.3%	0.8%
	International Aggregate	-0.5%	-0.1%	-4.2%	-1.7%
	US Aggregate	-0.6%	1.4%	-2.3%	-0.3%
	US Treasury	-0.6%	0.9%	-2.7%	-0.7%
	US TIPS	-0.4%	2.5%	-1.6%	2.1%
	US Corporate	-0.7%	2.3%	-2.2%	0.5%
US Corporate High Yield	US Corporate High Yield	0.0%	7.5%	3.0%	4.5%
	Other				
Other	Emerging Markets Aggregate	-0.4%	6.4%	-0.5%	0.9%
	Muni				
Muni	US Municipals	0.0%	0.8%	-0.3%	1.1%
	US Municipals High Yield	-0.2%	5.8%	0.7%	2.7%

Source: Bloomberg as of November 1, 2024

## U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of November 1, 2024

## Interest Rates (%)

Date	11/1/2024	10/31/2024	12/29/2023	11/1/2023
Federal Funds Rate	4.75%	4.76%	5.60%	5.56%
3 Month Treasury	4.61%	4.64%	5.40%	5.57%
6 Month Treasury	4.42%	4.43%	5.26%	5.51%
2 Year Treasury	4.21%	4.16%	4.23%	4.95%
5 Year Treasury	4.22%	4.15%	3.84%	4.67%
10 Year Treasury	4.37%	4.28%	3.88%	4.77%
30 Year Treasury	4.57%	4.47%	4.03%	4.96%
US Aggregate	4.79%	4.73%	4.53%	5.50%
US Corporate	5.23%	5.16%	5.06%	6.21%
US Corporate High Yield	7.31%	7.33%	7.59%	9.37%
US Municipal	3.66%	3.66%	3.22%	4.47%
US Municipal High Yield	5.45%	5.44%	5.57%	6.43%

## Spreads Over 10-Year US Treasuries

Date	11/1/2024	10/31/2024	12/29/2023	11/1/2023
30 Year Treasury	0.20%	0.19%	0.15%	0.19%
US Aggregate	0.42%	0.45%	0.65%	0.73%
US Corporate	0.86%	0.88%	1.18%	1.44%
US Corporate High Yield	2.94%	3.05%	3.71%	4.60%
US Municipal	-0.71%	-0.62%	-0.66%	-0.30%
US Municipal High Yield	1.08%	1.16%	1.69%	1.66%

Source: Bloomberg and U.S. Treasury as of November 1, 2024

## Equity Markets Overview

- All three major indices experienced a pullback last week. Looking at their performance for the month of October we find the NASDAQ experienced a modest 0.3% gain for the month while the S&P 500 and Dow Jones posted losses of -0.50% and -0.57%, respectively.
- Most sectors experienced losses for the second week in a row. Telecommunications and Consumer Discretionary were the only winners posting gains of 1.73% and 0.80%, respectively. Technology, Real Estate, and Utilities were the biggest losers with losses of -3.28%, -3.07%, and -2.81%, respectively.
- From a size perspective, small-cap stocks (-0.08%) held up better than their large- (-1.35%) and mi-cap (-0.13%) peers. From a style perspective, value stocks bested their growth counterparts across all market caps with small- and mid-cap value stocks even posting small gains for the week.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	-1.3%	20.6%	8.7%	14.8%
Large-Cap	S&P 500	-1.4%	21.5%	9.2%	15.1%
	S&P 500 Growth	-1.8%	28.2%	7.0%	17.0%
	S&P 500 Value	-0.8%	13.9%	10.8%	12.0%
Mid-Cap	S&P Midcap 400	-0.1%	12.9%	4.5%	11.1%
	S&P Midcap 400 Growth	-0.3%	15.6%	2.7%	10.9%
	S&P Midcap 400 Value	0.0%	10.0%	6.1%	10.8%
Small-Cap	S&P Smallcap 600	-0.1%	6.9%	1.2%	9.0%
	S&P Smallcap 600 Growth	-0.6%	9.1%	0.5%	9.2%
	S&P Smallcap 600 Value	0.4%	4.6%	1.8%	8.3%
Int'l.	MSCI ACWI ex-USA	-1.1%	8.8%	1.4%	5.7%
	MSCI EM	-1.2%	11.9%	-1.3%	3.8%

Source: Bloomberg as of November 1, 2024

## Alternative Markets Overview

- U.S. crude oil prices fell around 3-4% last week but are still experiencing some volatility stemming from tensions and potential retaliations between Iran and Israel as well as increasing uncertainty in the outcome of Tuesday's U.S. presidential election.
- Gold experienced a modest loss of -0.2% last week. Despite the short-term volatility, it posted its 4th consecutive monthly gain in October.
- Bitcoin posted a strong 3.8% gain for the week. It was a volatile one as the price broke above \$72.5k on Tuesday before retreating the rest of the week fueled largely by increasing uncertainty surrounding the US elections.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	-2.0%	5.8%	6.7%	7.4%
Gold	-0.2%	32.7%	15.3%	12.7%
FTSE All Equity NAREIT	-2.9%	8.9%	-0.6%	3.9%
Bitcoin	3.8%	62.8%	4.0%	49.8%
Ethereum	1.5%	9.0%	-16.8%	69.0%

Source: Bloomberg as of November 1, 2024



### Upcoming Week

- As third quarter earnings season continues, this week is packed full releases including notable ones from Palantir Technologies, Arm Holdings, and DraftKings.
- While all eyes will be on the Tuesday's election data, Thursday the Federal Reserve will share their rate decision and future expectations for interest rate policy.

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## Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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