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3rd Quarter 2024 Client Newsletter
Moreno Dye Cervantes Wealth Management Group of Wells Fargo Advisors

We are pleased to report that the 3rd quarter of 2024 ended up being yet another strong quarter for the financial markets. Even though growth and tech related investments took a breather, it was nice to see performance broadened out substantially into other areas of the financial markets as indicated by the performance numbers below.

	3rd Quarter	2024 Year-to-Date
Dow Jones Industrial Average	8.7%	13.9%
Russell 1000 Growth Index	3.2%	24.5%
Russell 1000 Value Index	9.4%	16.7%
NASDAQ Composite Index	2.8%	21.8%
Russell Mid Cap Index	9.2%	14.6%
Russell 2000 Index (Small Cap)	9.3%	11.2%
MSCI EAFE – Intl Index	7.3%	13.5%
Bloomberg US AGG Bond	5.2%	4.4%

*Wells Fargo Advisors Monthly Major Index Returns

The focus of the financial markets during the quarter was without a doubt the Federal Reserve's decision on monetary policy. Recent economic data continued to signal a softening U.S. economy and inflation has moderated to the point that the financial markets began to anticipate that the FED would begin cutting interest rates. This expectation pushed 10-year Treasury yields below 3.7%, which helped promote a broad rally across the entire financial markets. Ultimately, on September 18th the FED cut interest rates by .50% for the first time since March 2020.

Even more material is that Federal Reserve Chairman, Jerome Powell, indicated that we should expect to see interest rate cuts throughout 2025. Current expectations are that the FED will reduce interest rates by another 1.50-2.00% through the middle of next year. We anticipate that if the FED does cut interest rates this aggressively and central banks throughout the world follow suit that we could see a broad positive effect for the overall global economy in 2025. We trust that central bankers will be watching inflation data very closely though, because if they cut rates too quickly then they run the risk that inflation could start to pick back up again and that is an outcome that we would very much like to avoid.

While financial market participants debate whether the Federal Reserve will successfully engineer a soft landing for the economy, we are cautiously optimistic that the weakening trends in the U.S. economy are manageable. Most importantly, year-over-year inflation continues to trend lower at around 2.6%. This gave the FED the ability to lower interest rates as they have become more uncomfortable with the recent increase in unemployment. Housing and shelter costs also appear to have plateaued, which should be a big relief to the FED since that component of inflation has been extremely stubborn. All things considered, thus far the Federal Reserve has done a tremendous job avoiding a recession.

Recapping the most recent quarter, we are not sure if we are more relieved or happy to see a broadening out of stock market performance. Large cap value, mid cap and small cap indices all returned in excess of 9% during the 3rd quarter per Wells Fargo Advisors Monthly Major Index Returns. International and emerging markets got a nice boost from the declining U.S. dollar and dividend paying stocks were handsomely rewarded in anticipation of declining interest rates. Essentially, we believe today's financial markets present a healthier environment for investors as returns are no longer concentrated in just large cap, technology related stocks.

The bond market also had a nice bounce after a flat first half of the year. The fixed income market has gotten knocked around a bit since the 4th quarter of 2023 because financial market participants keep getting overly bullish on Fed rate cuts. That said, in the most recent quarter bonds were very supportive to your investment portfolios as we witnessed a handful of very short, but volatile stock market episodes. We feel confident that your bond allocations will continue to provide both volatility reduction and cash flow as we move into the end of 2024, while additional upside may be more limited at present.

As we look towards the end of the year, we fully anticipate that the upcoming presidential election could have a more significant short-term influence on the financial markets as investors try to hedge various outcomes. Uncertainty tends to create volatility and right now the election is anything but certain. At the end of the day when all the votes have been tallied, we would anticipate that the financial markets will return its focus to the Federal Reserve and global economic growth. While most of us have a preferred interest in the outcome of the election, we want to emphasize that it is very important that we maintain our investment discipline and focus on our long-term goals. Outside of the presidency, the most likely outcome in Congress is for gridlock as both the House and the Senate appear to be split very close to 50/50. Historically, financial markets like gridlock because it means that the "rules of the road" won't change much in the near-term. Ultimately, we'll know the outcome in a few short weeks.

We consider ourselves very fortunate to work with so many wonderful clients and thank you so very much for the loyalty and support that you have all shown our team over the years. We very much look forward to speaking with you all in the weeks and months to come, but as always please do not hesitate to contact us if you have any questions or concerns about your portfolio. We hope that you and your families have a wonderful upcoming holiday season filled with happiness and good health.

Best Wishes,

Jose A. Moreno, CFP®	Michael B. Dye, CRPC®	Oliver A. Cervantes, CFP®, CRPC®, RICP®
Managing Director – Investments	Managing Director – Investments	Managing Director – Investments

The Dow Jones Industrial Average is a price-weighted index of 30 “blue-chip” industrial U.S. stocks.
The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market.
The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australia, and the Far East, excluding the U.S. and Canada.
Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market

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