

Spectrum Advisors

Q3 2024 Market in Review

Q3 2024 Executive Summary



Greetings,

We entered the third quarter waiting for signs that inflation would ease, which would allow the Fed to finally cut interest rates. The economic data quickly pointed in that direction, with softer readings on employment and inflation data suggesting that price pressures were abating. While a rise in the unemployment rate sparked some fears of a recession, the broader trend indicates an economy moderating with healthy growth. Policymakers cited the uncertain economic outlook and higher unemployment rate as part of the reasoning for lowering rates by half a point instead of a quarter point.

Despite continued volatility over the summer, both stocks and bonds performed well by the end of the third quarter. We observed a leadership shift away from the big tech names that drove much of the bull market's returns earlier in the year. Instead, small-cap stocks and value stocks have been outperforming larger growth stocks. Our equity strategy is well-positioned to capture changes in these market segments, aiming to add incremental returns and mitigate volatility.

In the bond market, U.S. Treasuries posted price gains, leading to a decrease in the benchmark 10-year yield to below 4%. Treasury yields fell across the curve, while the 10-year yield rose above the 2-year yield. This shift marks the end of a yield curve inversion that persisted for just over two years. The move came as inflation reached its lowest level since 2021, with the August core consumer price index (which excludes more volatile food and energy items) showing a 3.2% increase from a year earlier. As interest rates on short-term T-bills decline, we will begin rolling funds out of these short-term investments and into higher-yielding securities.

As the US presidential election approaches with no clear frontrunner ahead of Election Day, we understand that many have strong feelings about the outcome. However, when it comes to investing, take heart that history shows the president is only one of many factors influencing the market. Stocks have generally trended higher regardless of who occupies the office. At a time when passions may be running high, it's a reminder that maintaining a long-term perspective can be a source of reassurance.

Warm Regards,

A handwritten signature in black ink, appearing to read 'Brad Mickelson'.

Brad Mickelson, CFA
Director of Portfolio Management

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Quarterly Market Summary

Returns (USD), as of September 30, 2024



| | Stocks | | | | Bonds | |
|---------------------------|-----------------|--------------------------------|-------------------------|--------------------|----------------|--------------------------|
| | US Stock Market | International Developed Stocks | Emerging Markets Stocks | Global Real Estate | US Bond Market | Global Bond Market ex US |
| Q3 2024 | 6.23% | 7.76% | 8.72% | 16.04% | 5.20% | 3.48% |
| | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
| Since January 2001 | | | | | | |
| Average Quarterly Return | 2.4% | 1.7% | 2.6% | 2.3% | 1.0% | 1.0% |
| Best Quarter | 22.0% | 25.9% | 34.7% | 32.3% | 6.8% | 5.4% |
| | 2020 Q2 | 2009 Q2 | 2009 Q2 | 2009 Q3 | 2023 Q4 | 2023 Q4 |
| Worst Quarter | -22.8% | -23.3% | -27.6% | -36.1% | -5.9% | -4.1% |
| | 2008 Q4 | 2020 Q1 | 2008 Q4 | 2008 Q4 | 2022 Q1 | 2022 Q1 |

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

Returns (USD), as of September 30, 2024

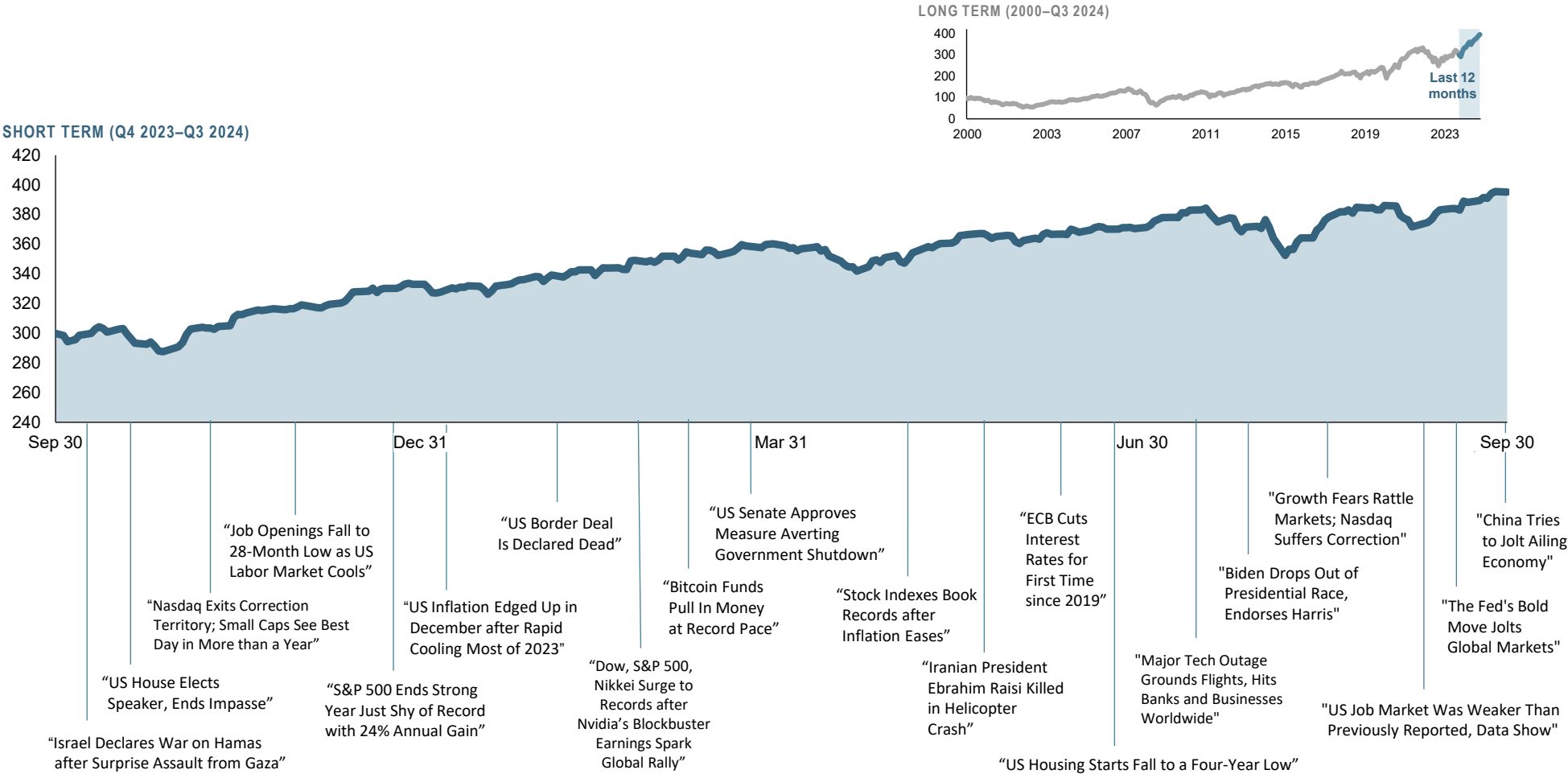


| | Stocks | | | | Bonds | |
|----------|-----------------|--------------------------------|-------------------------|--------------------|----------------|--------------------------|
| | US Stock Market | International Developed Stocks | Emerging Markets Stocks | Global Real Estate | US Bond Market | Global Bond Market ex US |
| 1 Year | 35.19% ↑ | 24.98% ↑ | 26.05% ↑ | 30.43% ↑ | 11.57% ↑ | 9.78% ↑ |
| 5 Years | 15.26% ↑ | 8.36% ↑ | 5.75% ↑ | 2.54% ↑ | 0.33% ↑ | 0.64% ↑ |
| 10 Years | 12.83% ↑ | 5.68% ↑ | 4.02% ↑ | 4.92% ↑ | 1.84% ↑ | 2.62% ↑ |

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World Stock Market Performance

MSCI All Country World Index with Key Headlines from the Past 12 Months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.



Past performance is no guarantee of future results.

In USD. Source: Dimensional Fund Advisors, AE Wealth Management.

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