

Equities

U.S. markets struggled to find direction as stronger-than-expected economic data drove rates and the U.S. dollar higher. Developed markets outside the U.S. felt the brunt of the tightening in financial conditions, with the MSCI EAFE Index declining -3.74%. The surge in Chinese stocks extended into a second week, with the market now up 37% from its recent trough following the announcement of aggressive stimulus measures. In the U.S., rate-sensitive industries such as consumer durables and real estate, that had rallied over the past two months, underperformed.

Fixed income

A blockbuster payroll report sent yields higher across the curve. The 2-year yield surged 34 bps to 3.91%, the biggest one week gain since 2022. Fed rate expectations swung sharply. Markets walked back rate cut hopes of a larger move at the November 7 meeting and now expect only a 25 bps move with 50bps cuts total by end of year. Just three weeks ago, markets were pricing in over 250 bps of rate cuts by end 2025, but in the wake of the upbeat news, that has moved to only 150 bps. The 10-year ended the week at the high of 3.96%, up 35 bps from its low in mid-September.

Commodities

Crude prices surged and the WTI-Brent spread widened meaningfully after Iran attacked Israel directly with around 200 ballistic missiles. While damage was contained, the attack represented a significant escalation in Middle East tensions and raised the prospect of Israel retaliating by targeting Iranian oil infrastructure. Crude will continue to be highly sensitive to developments in the region.

Economic overview

The September jobs report blew past expectations with a 254,000 jobs gain (Cons 150,000) and strong details. The unemployment rate slid to 4.1% and average hourly earnings rose 0.4% m/m. Adding to the strong tone of the report were upward revisions to the prior two months. Other data last week were upbeat, particularly labor-related news. JOLTS job openings surprised with an 8 million reading in August, vs 7.7 mln expected. The ISM business sentiment indicators showed manufacturing still in the doldrums at 47.2 in September, but services sector sentiment improving to 54.9 vs 51.5 previously.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	5,751.07	-0.20%	-0.20%	20.57%	24.23%
DJIA	42,352.75	0.05%	0.05%	12.37%	13.70%
NASDAQ	18,137.85	-0.28%	-0.28%	20.83%	43.42%
Russell 2000	2,212.80	-0.77%	-0.77%	9.16%	15.09%
MSCI World	3,698.41	-0.66%	-0.66%	16.70%	21.77%
MSCI Europe	2,169.71	-2.51%	-2.51%	7.39%	16.68%
MSCI EAFE	2,413.03	-2.25%	-2.25%	7.91%	15.03%
MSCI Asia	194.73	-0.16%	-0.16%	14.96%	8.76%
MSCI EM	1,179.34	0.73%	0.73%	15.20%	7.04%
VIX	19.21	2.48	2.48	6.76	-9.22

Fixed income (total return index)		MTD	QTD	YTD	2023
Barclays U.S. Agg	2,235.47	-1.01%	-1.01%	3.40%	5.53%
Inv. grade bonds	3,363.34	-0.86%	-0.86%	4.42%	8.52%
High yield bonds	2,673.86	-0.17%	-0.17%	7.82%	13.45%
Leveraged Loans	3,978.10	0.15%	0.15%	6.70%	13.32%

Alternatives (total return index)		MTD	QTD	YTD	2023
FTSE NAREIT	26,669.79	-2.41%	-2.41%	11.48%	11.36%
REIT Index					
GS Commodity Index	557.37	4.60%	4.60%	4.06%	-12.20%
Alerian MLP Index	2,266.63	1.35%	1.35%	20.15%	26.56%

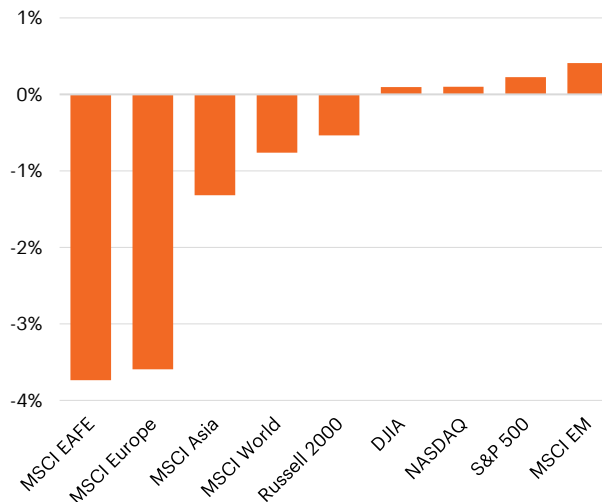
Commodities		MTD	QTD	YTD	2023
WTI Crude	\$74.38	9.11%	9.11%	3.81%	-10.73%
Brent Crude	\$78.05	8.75%	8.75%	1.31%	-10.32%
Natural Gas	\$2.85	-2.36%	-2.36%	13.52%	-43.82%
Gold	\$2,646	0.37%	0.37%	27.71%	13.45%

Currency		MTD	QTD	YTD	2023
Dollar Index (DXY)	102.52	1.73%	1.73%	1.17%	-2.11%
USDCNY	7.02	0.00%	0.00%	-1.15%	2.92%
Bitcoin	62,420	-2.14%	-2.14%	46.84%	157.01%

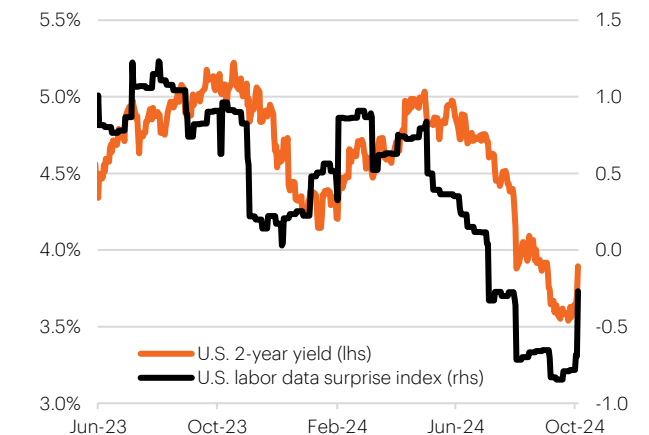
Spreads		MTD	QTD	YTD	2023
Inv. grade bonds	83 bps	-6 bps	-6 bps	-16 bps	-31 bps
High yield bonds	284 bps	-11 bps	-11 bps	-39 bps	-146 bps
Leveraged loans	419 bps	-4 bps	-4 bps	-40 bps	-101 bps
Emerging markets	237 bps	-10 bps	-10 bps	-60 bps	-42 bps

Interest rates		MTD	QTD	YTD	2023
Fed Funds Target	4.875%	5.375%	5.375%	5.375%	4.38%
SOFR	4.85%	-11 bps	-11 bps	-53 bps	108 bps
2-year Treasury	3.92%	28 bps	28 bps	-33 bps	-18 bps
10-year Treasury	3.97%	19 bps	19 bps	9 bps	0 bps
30-year Treasury	4.25%	13 bps	13 bps	22 bps	7 bps
Barclays U.S. Agg	4.43%	20 bps	20 bps	-10 bps	-15 bps
Inv. grade bonds	4.88%	16 bps	16 bps	-18 bps	-36 bps
High yield bonds	7.10%	11 bps	11 bps	-49 bps	-137 bps

Last week's equity returns



Labor market data drives rate outlook



Source: Bloomberg Finance, as of October 4, 2024.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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