CWP | PRIVATE WEALTH MANAGEMENT

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Monthly Market Commentary

With the spooky season and Election now in the rear-view mirror, we can look forward to Thanksgiving. Thanksgiving is a wonderful time of year where we can give thanks for all that we are thankful for, enjoy delicious food, and spend quality time with family! (Not to mention a full day of football!). For some, Black Friday is also a holiday that is celebrated. We hope that you can land some good deals to make Christmas extra special this year!

Equity markets were relatively calm in the month of October compared to recent history, which has been quite volatile over the last few years while fixed income markets experienced some elevated volatility. This can be attributed to the fact that markets have been well hedged to the elevated risks associated with the election and geopolitical tensions for some time now. Fixed income markets may have been slightly complacent with expectations that rates would fall precipitously with the FED easing cycle that started in September. We have been consistent with our observation that the economy remains resilient, and the underlying dynamics did not support an aggressive rate-cutting cycle that the markets were pricing in. As a result, yields have gone up close to 80 basis points from the first rate cut as expectations for a reacceleration in growth and inflation have risen again. With fiscal spending elevated and government debt rising at an accelerated pace, it remains prudent for policy makers to maintain some fiscal discipline and reduce deficits to not lose control of the bond markets.

Fundamentally, GDP growth in the third quarter slowed slightly to 2.7% from 3% in the second quarter on a year-over-year basis while inflation fell to 2.6% in the third quarter from 3.2% in the second quarter on a year-over-year basis, both of which remain above trend levels. We are approaching the latter half of the earnings season with 80% of the S&P 500 companies reporting sales and earnings growth of 5.1% and 7.8% year-over-year vs 5.5% and 13.2% in the second quarter, respectively. The latest readings for ISM manufacturing remained in contraction at 46.5 while ISM services are robust at 56. Overall, the economy is chugging along with certain pockets of weakness and strength.

Finally, as we are past one of the most anticipated elections in history, uncertainty associated with elections should start to fade while policy ramifications will start to emerge. This should have different implications for various asset classes, sectors, and geographies alike, and we hope we will make progress on all fronts as a country.