

October 21, 2024

Weekly Viewpoint

Market Rally Continues to Broaden Out

Performance for Week Ending 10/18/2024

The Dow Jones Industrial Average (Dow) gained 0.96%, the Standard & Poor's 500 Index (S&P 500) added 0.85% and the Nasdaq Composite Index (NASDAQ) finished up 0.80%. Sector breadth was positive with 9 of the 11 S&P sector groups closing higher. The Utilities sector (+3.42%) was the best performer followed by Real Estate (+3.0%) and Financials (+2.43%). On the flipside, Energy (-2.64%) posted the weakest performance reflecting the sharp pullback in oil prices.

Index*	Closing Price 10/18/2024	Percentage Change for Week Ending 10/18/2024	Year-to-Date Percentage Change Through 10/18/2024
Dow	43275.91	+0.96%	+14.82%
S&P 500	5864.67	+0.85%	+22.95%
Nasdaq	18489.55	+0.80%	+23.17%

Market Observations: 10/14/2024 – 10/18/2024

The S&P 500 finished the week higher, its sixth straight weekly gain and the longest winning streak so far this year. Driving the gains was the solid start to third quarter earnings season along with the better-than-expected monthly retail sales report, which collectively kept the “soft landing” narrative intact. The prospects of stable economic growth and lower borrowing costs has helped broaden out the market's performance with the small-cap Russell 2000 Index, the Equal Weighted S&P 500, and the Mid Cap S&P 400 Index all posting new highs during the week. On the sector level, Utilities, Financials, Materials and Industrials also posted new all-time highs last week.

Q3 Earnings Update: While it's still early, third quarter earnings season is off to a solid start. Through Friday, 72 members of the S&P 500 have released fiscal quarter results with 76% beating expectations. Aggregate earnings for this group are up 6.7% and ahead of the 4.3% projected growth rate for the overall quarter. On the sector level, the strongest growth is coming from the Technology sector (+54.7%) while the

weakest has been the Materials sector (-24.4%). Earnings season will shift into high gear over the next two weeks when 279 members of the S&P are scheduled to report.

Fed Speak: Fed Governor Christopher Waller said recent economic data signals policymakers can approach subsequent interest-rate reductions with less urgency than they applied at their gathering last month. "I view the totality of the data as saying monetary policy should proceed with more caution on the pace of rate cuts than was needed at the September meeting," Waller said in prepared remarks at a Hoover Institution conference in Stanford, California. San Francisco Fed President Mary Daly said the central bank remains on track for more rate cuts this year as long as data meets expectations, while noting that even with last month's rate cut, monetary policy is still working to bring inflation pressures down. The half percentage point cut in the federal funds rate target implemented in September was a "right-sizing" of the stance of interest rate policy, "recognizing the progress we've made and loosening the policy reins a bit, but not letting go," Daly said in a speech given before an event at New York University. Atlanta Fed President Raphael Bostic said he expects the US economy to slow this year but to remain robust, adding that the downward path for inflation could see some bumps. Bostic said he projects GDP growth to be about 2% in 2025 as households spend down their savings. Bostic added that he expects the Fed's benchmark rate to drop to about 3% to 3.5% in the long run, but the timing for reaching that level is uncertain.

Economic Roundup: Retail sales strengthened in September by more than forecast in a broad advance, underscoring that resilient consumer spending continues to power the economy. The value of retail purchases, unadjusted for inflation, increased 0.4% after a 0.1% gain in August. The retail sales control group—which feeds into the gross domestic product (GDP) calculation-- rose 0.7%, more than double the 0.3% gain expected by economists. The measure excludes food services, auto dealers, building materials stores and gasoline stations. Following the report, the Atlanta Fed GDP Now tracking model was revised higher and now suggests Q3 GDP will expand at a 3.4% annualized pace (up from 3.2%). On the labor front, weekly jobless claims fell 19K to 241K, according to the Department of Labor. The four-week moving average—which helps smooth the week-to-week volatility—rose modestly to 236.3K. Mortgage rates rose sharply for a second straight week, reaching the highest level since early August according to the Mortgage Bankers Association. The contract rate on a 30-year fixed mortgage rose 16 bps to 6.52% in the week ended Oct. 11. In the last two weeks, the rate has climbed 38 bps, the most for any comparable period since February 2023.

The Week Ahead: The earnings calendar will move to the front burner this week with 110 members of the S&P 500 scheduled to release results. Included in this group are Tesla and Dow-components Boeing, Coca-Cola, IBM Corp., and Verizon. Data points of interest next week include existing home sales, the S&P manufacturing PMI, new home sales, and durable goods orders. Another busy week for Fed heads with at least 8 speeches on the docket. On Wednesday the Fed will also release its Beige Book report.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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