



3rd Quarter 2024 Newsletter

- While the market continues to capture gains, it also continues to be historically overpriced. Currently the S&P is priced at 24x earnings with the 35-year average at 19x. The market's valuation is a poor predictor of returns in the near term, but over the long term it becomes more reliable.¹
- U.S. small caps, emerging markets, developed international, and U.S. real estate all outperformed U.S. Large Cap (S&P 500) in the 3rd quarter, highlighting the positive impact that diversification in all areas of the market can have on a portfolio. International markets received a boost from a Chinese stimulus package that gave China's stock market its best week in 16 years (up 15.7%).²
- The market experienced a headline grabbing selloff resulting in the S&P 500 losing more than 6% in just the first 3 trading days of August. Although there was a quick recovery, it is important to note that drawdowns are completely normal. The S&P 500 has had a 5% or worse drawdown in 94% of years and a 10% or worse drawdown in 64% of years since 1928.³
- The Federal Reserve cut interest rates by 0.50% moving the benchmark rate between 4.75% and 5%. With rates coming down from a 23 year high, the Fed has room to loosen monetary policy. Should the economy slow too much, they can accelerate rate cuts to help stimulate growth.⁴

News and Observations

- The most recent inflation report indicated continued cooling, with consumer prices (2.5% CPI) dropping in August and moving closer to the Fed's 2% target.
- The Corporate Transparency Act requires most business entities and certain trusts to report the personal information of owners or control persons to a national database. The intent of the new rule is to combat money laundering and other financial crimes. The deadline for reporting compliance is 12/31/2024. If you have questions on reporting requirements or whether this applies to your business, please reach out to your attorney or CPA.
- There is an estimated 2.5% cost-of-living adjustment to Social Security benefits in 2025, which would raise the average monthly benefit by \$48 to \$1,966.⁵
- Crime related to fraudulent new accounts is responsible for 80% of all identity fraud reports. If you haven't already, consider freezing your credit at TransUnion, Experian, and Equifax to help prevent unauthorized credit cards and loans being opened in your name.⁶

Contact Us

Phone: **317-731-5615**

Email: admin@elserfp.com

Website: www.elserfp.com

Address: **8900 Keystone Crossing, Ste. 450
Indianapolis, IN 46240**



Market Index Returns

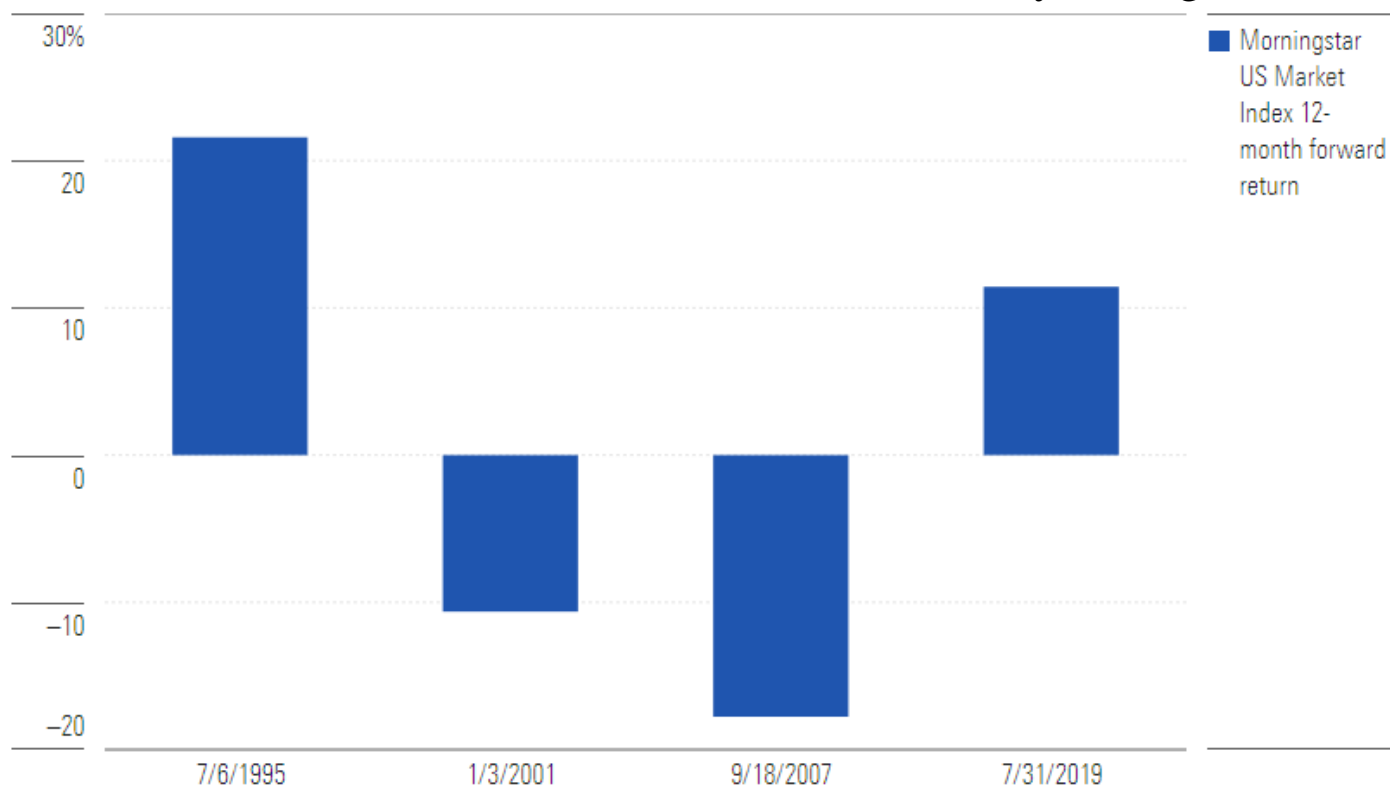
	<u>Q3</u>	<u>YTD</u>
S&P 500 (Large Cap) _____	5.89%	22.08%
Russell 2000 (Small Cap) _____	9.27%	11.17%
MSCI International Index _____	7.84%	13.63%
MSCI Emerging Markets _____	8.88%	17.24%
US REIT Index _____	15.56%	14.92%
Bloomberg Commodity Index _____	0.68%	5.86%
BofA 1-3 yr Corporate & Govt. Bond Index _____	2.94%	4.43%

We sincerely appreciate your business and referrals.

When the Fed Cuts Rates⁷

- ❏ The Fed lowers rates to stimulate the economy by making borrowing cheaper for businesses and consumers.
- ❏ Although rate cuts tend to be positive for equities, market performance can vary dramatically in the year following a rate cutting cycle.
- ❏ It is not uncommon for markets to be volatile during a rate cycle whether it is easing or tightening.
- ❏ The market reacts differently if it perceives the Fed as in control of a soft landing for the economy versus the central bank as being reactionary to the threat of a recession.
- ❏ In the last four rate cutting cycles, it can be seen in the graph below that stock returns were a mixed bag, with an equal likelihood of stock prices increasing or decreasing. Notably, the two negative return periods were the dot-com bubble and the Great Recession.
- ❏ There is much more affecting the market than a Fed easing cycle. Macroeconomic trends, earnings, sentiment, among many things all play a part in stock returns.
- ❏ Market speculation is best avoided, as no one has a crystal ball. An investor that maintains a long-term strategy has historically been rewarded over time for their disciplined approach.

Stock Performance 12 Months After Rate-Cut Cycle Begins



Source: Morningstar Direct. Data as of Sep 11, 2024.

1: <https://www.barrons.com/articles/stock-market-returns-fed-rates-b82d6ad7>

2: <https://www.nytimes.com/2024/09/27/business/asia-stocks-csi-300.html>

3: <https://fred.stlouisfed.org/series/FEDFUNDS>

4: <https://www.cnbc.com/2024/09/24/september-consumer-confidence-falls-the-most-in-three-years.html>

5: https://www.wsj.com/personal-finance/retirement/social-security-cola-increase-2025-5d720809?mod=retirement_news_article_pos3

6: https://www.wsj.com/personal-finance/credit/credit-freeze-data-breach-e76d35de?mod=credit_news_article_pos1

7: <https://www.morningstar.com/stocks/what-happens-stocks-when-fed-starts-cutting-rates>