DeMarche

PERSPECTIVES AND POSITIONS

By James Dykstal, CFA, Portfolio Manager, November 2024

This is a summary of our views on the economy and markets based on data through October 2024.

Economy

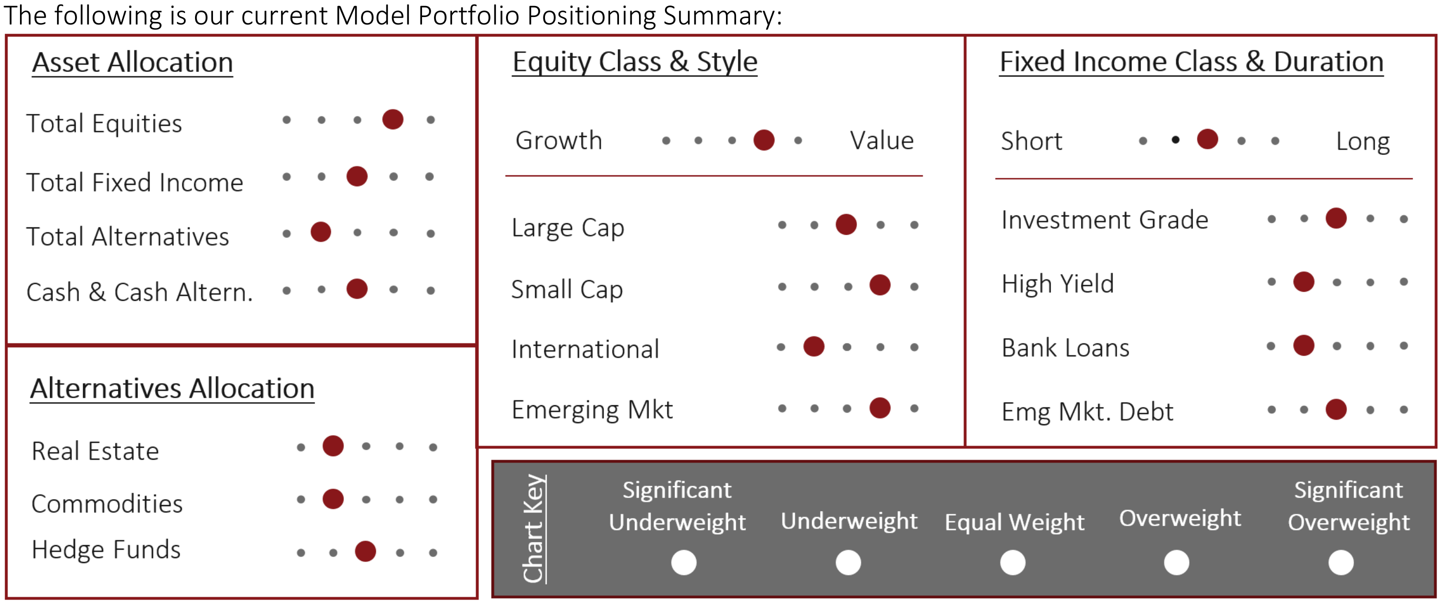
- U.S. GDP Growth – Our expectation that economic growth would slow is coming to fruition. But data suggest that the economy is not slowing as fast as expected evidenced by the ten-year Treasury opening October at 3.74% and closing at 4.28%.
- Inflation – Headline inflation (including food and energy) has proven to be stubborn, but the rate of change is declining. The latest print in September was 2.4% as automobile prices ease up. Core inflation (excluding food and energy) was 3.3% in September.
- Employment/Wages – The unemployment rate has creeped upwards and job creation has slowed so far in 2024. However, the job market saw some resiliency in September. The September print for unemployment was 4.1%, the same as the June rate of 4.1%.
- Interest rates – The Fed has been on the sideline since July 2023 before the rate cut in September. The futures market is now pricing in the possibility of two more rates cuts by the end of 2024.

Markets

- Fixed Income – For context, the Federal Reserve began its interest rate hiking regime in March 2022 and it last increased rates in July 2023. Now the Fed has cut rates in September with the market expecting two more cuts in 2024. Inflation has proven to be stubborn, but is increasing at a declining rate.
- Equities – We expect GDP to slow in the rest of 2024 and into 2025. Equity markets posted improvements in 2024. Volatility will be a constant as inflation and interest rates create uncertainty.
- Alternatives – We continue to see valuations in real estate turn over as higher rates impact valuations of real estate properties.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



[1] Provided by our affiliate, Discretionary Management Services (DMS), LLC