

October 2024 Economic and Market Highlights

This report provides an overview of key economic and market events from October 2024, highlighting stock market performance, consumer resilience, bond market movements, and fiscal concerns. The summary captures the primary factors influencing the market, alongside notable sector trends and geopolitical impacts.

1. Stock Market Performance

- The S&P 500 saw both gains and declines through October. It achieved a five-week winning streak, with a 1% gain one week but later reversed with a 1% drop, breaking the streak.
- The Nasdaq achieved a seven-week winning streak, up about 16% in annual returns on average after such streaks.

2. Economic Resilience and Consumer Strength

- U.S. retail sales remained robust, contributing to the ongoing 'soft landing' narrative, which suggests a healthy economic outlook despite inflation risks.
- Disposable income grew faster than inflation, contributing to strong consumer spending. Revised national income data also showed significant gains, with disposable income up 26% since December 2019, compared to an inflation increase of 16%.

3. Bond Market

- Bond yields rose as inflation fears impacted rates. The Bloomberg Aggregate Bond Index dropped about 1% due to these rate increases, with the 10-year yield rising significantly at certain points.
- High-yield bonds and municipal bonds outperformed, with muni high-yield bonds showing a 30 basis point increase.

4. Energy and Commodities

- Crude oil prices fluctuated significantly, driven by geopolitical events in the Middle East. An initial spike saw oil up 9%, but prices dropped as fears of supply disruption from Iran eased.
- Gold reached new highs, supported by inflation concerns and increased demand for safe-haven assets amid geopolitical tensions.

5. Geopolitical and Fiscal Concerns

- Geopolitical instability, especially in the Middle East, and upcoming U.S. election risks created additional market volatility, with potential impacts on fiscal policies.

- The U.S. debt level remained a concern, as rising interest payments began to exceed the defense budget, highlighting the unsustainable trajectory if left unaddressed.

6. Corporate Earnings

- Corporate earnings growth showed resilience, with expectations of double-digit growth over the next year. The tech sector, particularly AI-related companies, was a strong contributor to overall gains.

- The third-quarter earnings season had mixed results, with high-performing sectors like consumer discretionary driven by Tesla's earnings boost.