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September 2024 Recap

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PRELUDE

September marks the official start of the fall season in the northern hemisphere. Here in Ohio, cooling temperatures and minimal rainfall during most of the month seem to have expedited one nature's most mesmerizing processes: the widespread color change in various plant life. Lush green landscapes commonly observed in summer months have already begun turning into vibrant canvases of gold, crimson, and orange. Like the seasons, global markets also experienced change during September. Despite a rocky start to the month, developed markets rebounded amid another interest rate cut from the European Central Bank and the first Federal Reserve rate cut since 2020. Emerging markets also surged late in the month after the People's Bank of China and other Chinese government leaders unveiled a series of accommodative monetary and fiscal policies intended to buoy the country's financial markets and economy. By September's end, every major global asset class finished in positive territory.

GLOBAL EQUITY

Global equities moved broadly higher in September but for the third consecutive month, their path to positive returns was bumpy. Through the holiday-shortened first week of the month, most major equity indexes fell between -1.9% and -5.7% cumulatively, as weaker-than-expected U.S. manufacturing and labor market data scared investors. Reminiscent of the prior month's early selloff, U.S. large cap growth stocks were among the biggest losers during this period as each of the Magnificent Seven companies generated negative returns. U.S.

TABLE 1: **Global Equity**	SEP	QTD	YTD	1 YR
Dow Jones Industrial Average	1.96	8.72	13.93	28.76
S&P 500 Index	2.14	5.89	22.08	36.24
Russell 2000	0.70	9.27	11.16	26.66
Russell 1000 Growth	2.83	3.19	24.55	42.05
Russell 1000 Value	1.39	9.43	16.68	27.68
MSCI ACWI USD	2.32	6.61	18.66	31.66
MSCI EAFE USD	0.92	7.26	12.99	24.69
MSCI EM USD	6.68	8.72	16.86	25.97
MSCI ACWI ex US USD	2.69	8.06	14.21	25.28

Source: Bloomberg, as of 9/30/2024. Past performance does not guarantee future returns.

small cap companies struggled in a similar fashion amid continued concerns about how their more domestically focused businesses would perform in an economic decline. Despite the downward move to start September, U.S. equities rebounded over the next three weeks. Large cap growth stocks overcame their early month struggles and finished September up +2.8%. Consumer Discretionary was the best-performing sector for the month as Tesla led the sector higher, returning +22.2% amid optimism surrounding third quarter vehicle deliveries and the expected unveiling of its robotaxi in October.

International markets also generated positive returns in September as the U.S. Dollar weakened broadly for the third straight month, boosting international equity returns for U.S.-based investors. Developed international markets, as represented by the MSCI EAFE Index, returned +0.9% for the month. German, French, and Spanish equities were among the leading contributors to performance in September following the European Central Bank's second rate cut of 2024. Emerging markets bested their developed market counterparts in September as the MSCI EM Index returned +6.7% behind exceptionally strong Chinese equity returns. Investors embraced multiple interest rate cuts and an 800-billion-yuan injection into the local stock market from the People's Bank of China, as well as the government's fiscal plans to stabilize the country's ailing property market. As a result, the MSCI China Index finished September up +23.9%, its best monthly return since November 2022.

FIXED INCOME

The Federal Reserve took centerstage in fixed income markets during September, as it cut interest rates by 0.50% on September 18th. The highly anticipated move followed weaker-than-expected manufacturing and labor market data, as well as moderating inflation data, earlier in the month. Amid such activity, the U.S. Treasury yield curve shifted downward for a fifth consecutive month in September, helping fixed income returns as the Bloomberg U.S. Aggregate returned +1.3%. The fall in U.S. Treasuries was again more pronounced on the short end of the curve following the Federal Reserve's first interest rate cut since 2020 during the COVID-19 pandemic period. Investment grade and high yield corporate bonds also generated positive returns amid further spread compression during the month.

With the Federal Reserve's first 2024 rate cut in the rearview, many investors are posturing what the Fed's remaining moves are before year end. Following the September cut, the market expects the Federal Funds Rate to close 2024 at roughly 4.1%, implying a combination of both a 0.50% and a 0.25% reduction in November and December. We find the size of September's rate cut (0.50%) perplexing as the Fed's unspoken increment of change seems to have been 0.25% in recent cutting cycles. In our view, the magnitude of September's rate cut may open the door to further investor speculation about Federal Reserve's concerns about the U.S. economy and the issues that could warrant 0.50% rate cuts rather than 0.25% ones. Such speculation may also prompt additional market volatility ahead of and following the Fed's remaining 2024 meetings. Regardless, we and many others are intrigued by the Fed's upcoming fourth quarter decisions.

TABLE 2: **Fixed Income**	SEP	QTD	YTD	1 YR
Bloomberg US Aggregate	1.34	5.20	4.45	11.54
Bloomberg 1-3 Yr Gov/Credit	0.83	2.96	4.38	7.17
Bloomberg Treasury 5-7 Yr	1.20	5.07	4.48	10.13
Bloomberg Investment Grade Corp	1.77	5.84	5.32	14.24
Bloomberg High Yield Corp	1.62	5.28	8.00	15.70
JPMorgan EMBI Global Diversified	1.85	6.15	8.64	18.60

Source: Bloomberg, as of 9/30/2024. Past performance does not guarantee future returns.

POSTLUDE

As we enter the final quarter of 2024, we thought it appropriate to put the first three quarters of the year into perspective for our readers. Despite the eventfulness of the last nine months, the S&P 500 is at a record high and has returned +22.1% cumulatively, its best nine-month start to a calendar year since 1997. The Bloomberg U.S. Aggregate is up +4.5% over the same period, its best nine-month start since 2020. Following such positive year-to-date returns and multiple potentially market-moving events on the horizon (e.g. corporate earnings season, U.S. elections, and more central bank decisions), some investors may reasonably ask about, and even seriously consider, selling out of global markets and waiting until 2025 to re-invest. We will not advise our clients to do so despite our expectations for fourth quarter volatility. We do not believe market timing produces consistently positive outcomes for most investors. We also find it imprudent to make wholesale portfolio changes ahead of binary outcomes, as the conditional probability of correctly predicting both the outcomes and subsequent market reactions is low. So, sit back, grab some popcorn, and enjoy the show. The quarter many of us have been waiting for this year is finally here. We'll see how it goes and keep you informed along the way.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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