

Quarterly Recap

Third Quarter 2024 Recap

At-A-Glance

The S&P 500 closed out September at 5,762 to clinch its 43rd all-time high this year. The S&P 500 is up 41.89% from its October 2023 low and capped its fourth straight quarterly gain (its longest winning streak since 2021).

The Dow Industrials rose 1.96% last month, capping the quarter with an 8.72% gain. The Dow-30 Index is up 13.93% YTD and joined the S&P 500 in securing their fifth straight monthly gain.

The Nasdaq Composite gained 2.76% in September and 2.76% in the third quarter. The broad Nasdaq index slightly trailed the S&P 500 on a YTD basis, +21.84% versus +22.08%.

Foreign equities continue to underperform the U.S. on a YTD basis, yet for the month and quarter Emerging Markets (+6.7%, 8.7%) trounced the U.S., surpassing the S&P 500 performance by 4.5% and 2.8% respectively. Internationally, the MSCI EAFE Index reversed prior period losses to end positive in September (+0.92%) and for the quarter (+7.26%).

The Bloomberg Commodity Index rose 4.86% in September, while netting a 0.68% Q3 gain. Commodities are up 5.86% YTD.

S&P GSCI Gold climbed 12.93% in the third quarter, its strongest quarterly gain since Q1 2016. The gold index is up 27.22% YTD. Spot gold ended the quarter at \$2,659/oz., slightly below a fresh record high of \$2,685 the week prior. S&P GSCI Crude Oil fell 11.73% in quarter, trimming its YTD gain to 5.74%.

| Market Indices ¹ | September | 3Q 2024 | YTD |
|-----------------------------------|-----------|---------|--------|
| S&P 500 | 2.14% | 5.89% | 22.08% |
| Russell 3000 | 2.07% | 6.23% | 20.63% |
| Russell 2000 | 0.70% | 9.27% | 11.17% |
| MSCI EAFE | 0.92% | 7.26% | 12.99% |
| MSCI Emerging Markets | 6.68% | 8.72% | 16.86% |
| Bloomberg US Aggregate Bond | 1.34% | 5.20% | 4.45% |
| Bloomberg US Municipal Bond | 0.99% | 2.71% | 2.30% |
| Bloomberg US Corporate High Yield | 1.62% | 5.28% | 8.00% |

¹FactSet (all equity performance is total return based, which include reinvested dividends).

Defying precedent of September historically being the worst performing month of year, all three major U.S. equity average posted solid monthly gains. For the S&P 500 it was the first positive September since 2019. Moreover, the S&P 500 is up just over 22% for the year – its first time since 1997 that the benchmark has risen 20% or more through the first nine months of the year. That's a rare event, this happening just 10 times since 1950. The main bullish catalyst is overarching optimism that the Federal Reserve can continue engineering a soft landing by signaling and initiating the start of a new interest rate easing cycle.

At their September 17-18 FOMC policy meeting, Fed officials voted 11-1 to implement a super-sized 0.50% rate cut to a new Fed Funds range of 4.75%-5.00%. After interest rates had held steady at 5.00%-5.50% for 14 months, it was the Fed's first easing decision since emergency rate cuts pushed interest rates near zero at the onset of the COVID-19 pandemic in March 2020. Prior to the pandemic, the Fed cut interest rates by 0.25% three times in 2019 after four rate hikes in 2018. Following this September's initial rate reduction, the Fed's so-called dot-plot of policymakers' individual rate forecasts indicate further easing of another 0.50% by the end of this year and another full 1% reduction by the end of 2025, plus another two 0.25% rate cuts by mid-2026.

Clearing a path for a Fed rate cut, the most current personal-consumption expenditures (PCE) price index edged up 0.1% in August, matching forecasts but easing from +0.2% in July. From a year ago, headline PCE prices are up 2.2%, down from 2.5% the month prior. The Fed's preferred inflation gauge, the core PCE price index that excludes food and energy, also rose just 0.1% in August while its annualized rate ticked up to 2.7% from 2.6%.

The Commerce Department's third and final estimate of U.S. real GDP growth in the second quarter held steady at +3.0%, showing strong growth from a reduced +1.4% pace in this year's first quarter. As measured by real GDP, the economy had expanded by 3.4% in the fourth quarter 2023. Strong corporate earnings are also helping boost investor sentiment. The second quarter earnings season is virtually complete with a consensus growth estimate pointing toward a 12.9% quarterly year-over-year earnings increase. This compares to an initial earnings growth pace estimate of 8.1% before the start of the earnings season.

Equity gains were however accompanied by increased volatility. For the quarter, the CBOE VIX Volatility Index jumped from 12.44 to 16.73 (+4.29 points, +34.5%).

As shown in the style box performance boxes below, mid cap Growth showed the strongest gain in September, outperforming its large cap counterpart by 0.50% (3.33% vs. 2.83% respectively). Small cap Value showed remarkable strength during the final two months of the quarter, going from being the smallest gainer (+0.06%) in September to the top performer on a quarterly basis, up 10.15%. Following 2024 trends, large cap Growth and large cap Blend are the top two style performers on a YTD basis, up 24.55% and 21.18% respectively.

| | September Returns | | | Quarterly Returns | | | YTD Returns | | |
|-----------|-------------------|-------|--------|-------------------|-------|--------|-------------|--------|--------|
| | Value | Blend | Growth | Value | Blend | Growth | Value | Blend | Growth |
| Large Cap | 1.39% | 2.14% | 2.83% | 9.43% | 6.08% | 3.19% | 16.68% | 21.18% | 24.55% |
| Mid Cap | 1.88% | 2.23% | 3.33% | 10.08% | 9.21% | 6.54% | 15.08% | 14.63% | 12.91% |
| Small Cap | 0.06% | 0.70% | 1.33% | 10.15% | 9.27% | 8.41% | 9.22% | 11.17% | 13.22% |

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which include dividends. Investors cannot invest directly in indexes. Data as of 9/30/2024.

The Great Rotation continued with sector performance widely broadening in the third quarter with eight of 11 sectors outpacing the S&P 500, led by rate-sensitive sectors including Utilities (+19.37%) and Real Estate (+17.17%). Communication Services and Technology had led in the first half of the year, but they underperformed during Q3. Energy was the only sector that declined (-2.32%).

| Top Sector Performers – September ¹ | | Bottom Sector Performers – September ¹ | |
|--|--|---|--|
| Consumer Discretionary (+7.09%) | | Financials (-0.54%) | |
| Utilities (+6.60%) | | Healthcare (-1.68%) | |
| Communication Services (+4.63%) | | Energy (-2.68%) | |
| Top Performers – Third Quarter ¹ | | Bottom Performers – Third Quarter ¹ | |
| Utilities (+19.37%) | | Communication Services (+1.68%) | |
| Real Estate (+17.17%) | | Technology (+1.61%) | |
| Industrials (+11.55%) | | Energy (-2.32%) | |
| Top Performers – YTD 2024 ¹ | | Bottom Performers – YTD 2024 ¹ | |
| Utilities (+30.63%) | | Materials (+14.14%) | |
| Technology (+30.31%) | | Consumer Discretionary (+13.91%) | |
| Communication Services (+28.81%) | | Energy (+8.36%) | |

¹FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends).

Consistent with the start of a new Fed easing cycle, the yield on benchmark 10-year Treasury notes declined during the third quarter, ending September at 3.786%, down nearly 0.59% since the end of the second quarter. Treasury prices climbed across the curve with corresponding yields falling.

In fixed-income performance, U.S. Treasuries (as measured by the Bloomberg U.S. Government Bond Index) advanced 1.2%, capping a fifth straight monthly advance, its longest stretch of price gains since 2010. The government bond index jumped 4.71% in the third quarter and is up 3.85% in year-to-date. Likewise, longer-term U.S. Government bonds jumped 7.81% in the third quarter, with the year-to-date return at 2.44%.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) surged 5.20% for the quarter (+4.45% YTD). Non-investment-grade High-Yield corporate bonds performed best, leaping 5.28% in the third quarter (+8.00% YTD). Municipal Bonds (+0.99%) trailed Treasuries in September, but outperformed in the quarter, up 2.71%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on X.

About Cetera® Investment Management

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group

“Cetera Financial Group” refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), and Cetera Financial Specialists LLC. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

About Avantax

Avantax, Inc. (Avantax) is a wholly owned subsidiary of Aretec Group, Inc. (dba Cetera Holdings). Avantax is a unique community within Cetera Holdings. Avantax Investment Services, Inc., a subsidiary of Avantax, Member FINRA / SIPC. Located at 3200 Olympus Blvd, Suite 100, Dallas, TX, 75019. Avantax and Cetera Financial Group are under common ownership.

Disclosures

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The **Bloomberg U.S. Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The **Bloomberg U.S. Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Cboe Volatility Index**[®] (VIX[®]) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Nasdaq Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.