

Q4 Market Commentary

Solist Wealth Management

As of 10/04/2024



Q4 Market Commentary

Shocktober Edition

2019 vs 2024

The market in 2024 has been marked by themes such as: US Election, Middle East Tensions, Inverted Yield Curve, Normalized Yield Curve, Quantitative Easing, Tariffs, Chinese Tensions, Stronger than expected Corporate Earnings, Strikes, and so much more. The follow up question, how has it impacted the market? The answer is more complicated than a simple "good" or "bad".

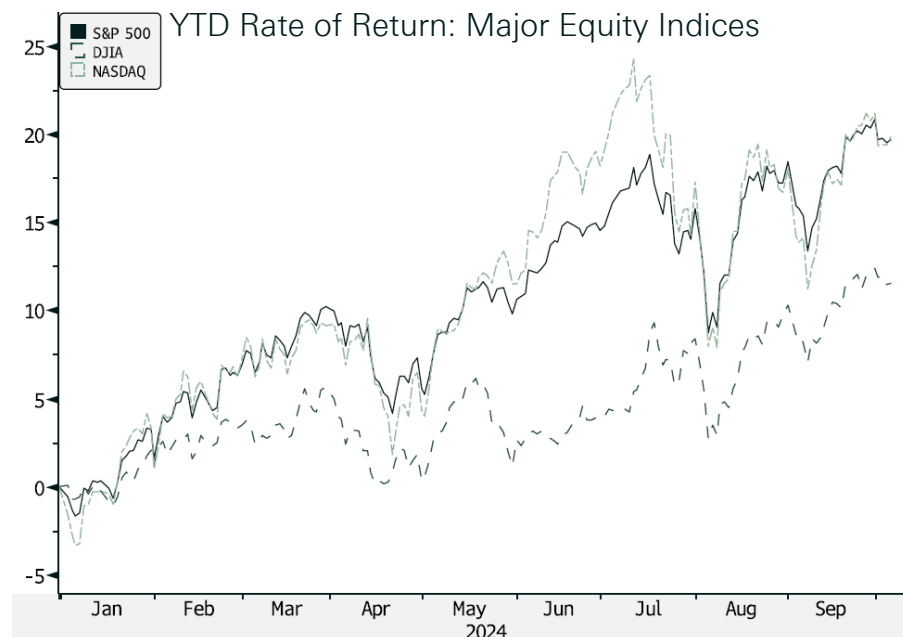
Let's lead with the "bad". It has not gone unnoticed that volatility has spiked, point to point, more than 48% four times this year, reaching a 135% increase at one point. The "good"? The global markets are producing above average returns across most asset classes.

Interestingly, 2024 is not so different from 2019. The topics at the forefront of consideration now are the same as they were then. And despite those "headwinds", 2019, like 2024, had a standout performance year. Who knows how long the bull would have run without a surprise global pandemic to open up 2020?

Clarifying some flow numbers for our readers, the market is currently still on the sidelines with over \$18 trillion in cash according to a BofA survey, with the 5th largest market outflow of the last decade occurring last week. Gold and oil are at the forefront of trade discussions at the moment. We understand gold is breaking out of a massive slumber. That said, the underlying rationale for investors entering the gold trade is based on geopolitical risks, not systematic concerns.

Our thought at Solist: if euphoria is what kills a market rally, we are far from it.

BENCHMARK	CURRENT MONTH	CURRENT		YTD
		QUARTER	QUARTER	
S&P 500	2.14%	5.89%	22.08%	
Dow Jones Industrial Average	1.96%	8.72%	13.93%	
NASDAQ	2.76%	2.76%	21.84%	
Euro STOXX	(0.32%)	2.68%	12.36%	
Nikkei 225 Stock Average	(1.24%)	(3.50%)	15.16%	
Benchmark Return (%) (VIX)	11.53%	34.49%	34.38%	



Source: Solist Wealth Management, Bloomberg Terminal L.P. as of 10/04/2024

Forecast	Q4 '24	Q1 '25	Q2 '25	Q3 '25
S&P 500 (Spot 5723.65)	5950	6000	6250	6300
US Dollar (Spot 102.546)	96.5	90.7	88	90
Gold (Spot 2649.06)	2,800	3,100	3,150	3,100
GDP	2.00%	1.50%	1.50%	1.50%
CPI	2.20%	1.90%	1.80%	2.00%
Fed Funds	4.25%	3.75%	3.50%	3.50%

Source: Solist Wealth Management as of 10/04/2024

Equity Market Overview

Back in Rotation

Simply, Q3 was an amazing quarter for global equities. China, with force, leading the pack up roughly 25%. EMEA, green across all major indices. And two out of the three major US benchmarks were positive with the Nasdaq flat.

At Solist our attention is on the developing stories related to China, Domestic Equities and Secular to Cyclical Rotation.

China has reduced the cash reserve requirements at banks and simultaneously cut rates. This is an atypical mega move for the PBOC and has led to a rally in both the Hang Seng and the CSI. The bull run looks to have significant support, enough to continue the momentum.

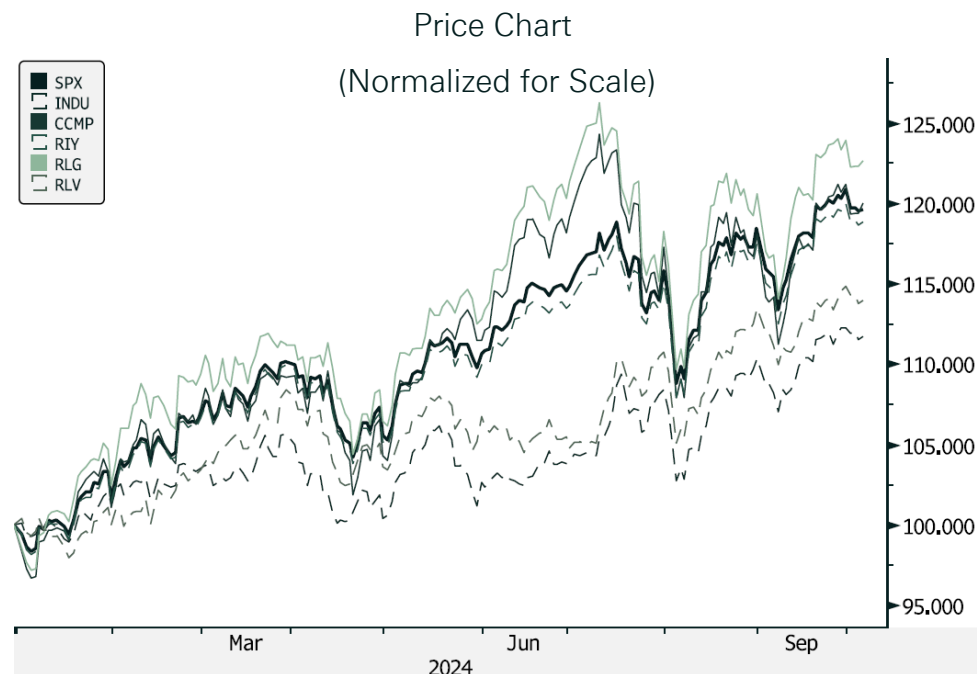
Domestically, the last 3 months on the S&P 500 have been positive months. 10/11 sectors were green, led by utilities and real estate while energy was the solo laggard. The rotation trade is back and fully supported. Broadening is clearly visible and backed by performance comparisons of Mag 7 versus the S&P 500 as well as small caps (S&P 600 and Russell 2000) outperforming all major US indices.

What next?

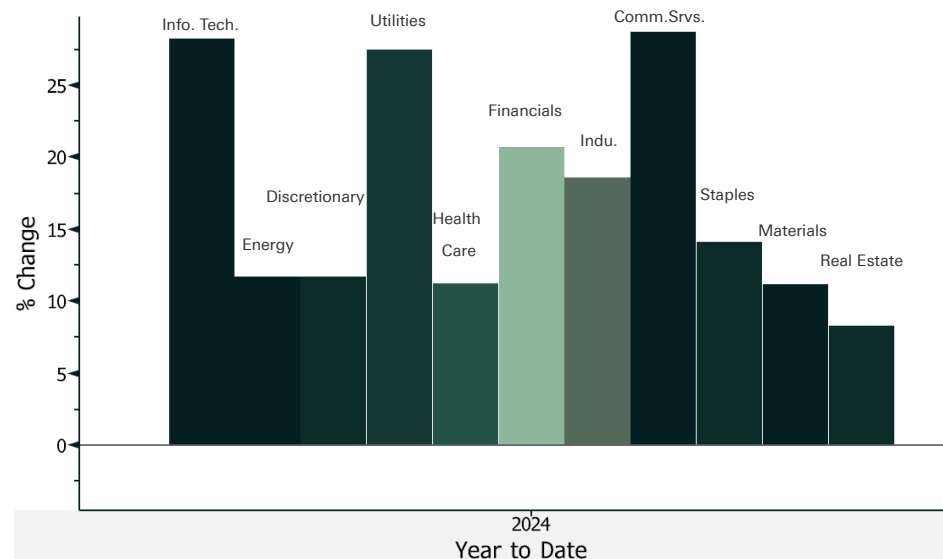
Valuations on the S&P 500 are slightly elevated at 23.5. But 20-21 when you remove mag 7, and tailwinds of sentiment, broadening, QE and significant sidelined cash together support continued preferential equity exposure.

The narrative pushes us to rebalance out of leadership near term and broaden as well as add some weight to tactical hedges. We reiterate our tilts to healthcare, consumer discretionary, real estate and now add energy on the dip and escalated tensions. Globally, keep your eye on the BRIC trade.

Index	Starting Price (1/1/2024)	Last Price (10/04/2024)	Change	% Change
S&P 500 (SPX)	4769.83	5712.07	942.24	19.75%
DJIA (INDU)	37689.54	42120.13	4430.59	11.76%
Nasdaq (CCMP)	15011.35	18031.12	3019.77	20.12%
Russell 1000 (RIY)	2622.14	3119.054	496.914	18.95%
Russell 1000 Growth (RLG)	3051.68	3743.299	691.619	22.66%
Russell 1000 Value (RLV)	1629.42	1858.516	229.096	14.06%



Source: Solist Wealth Management, Bloomberg Terminal L.P. as of 10/04/2024



Source: Solist Wealth Management, Bloomberg Terminal L.P. as of 10/04/2024

Fixed Income and Cash Market Overview

Preferreds have been Preferable

How about them apples?!

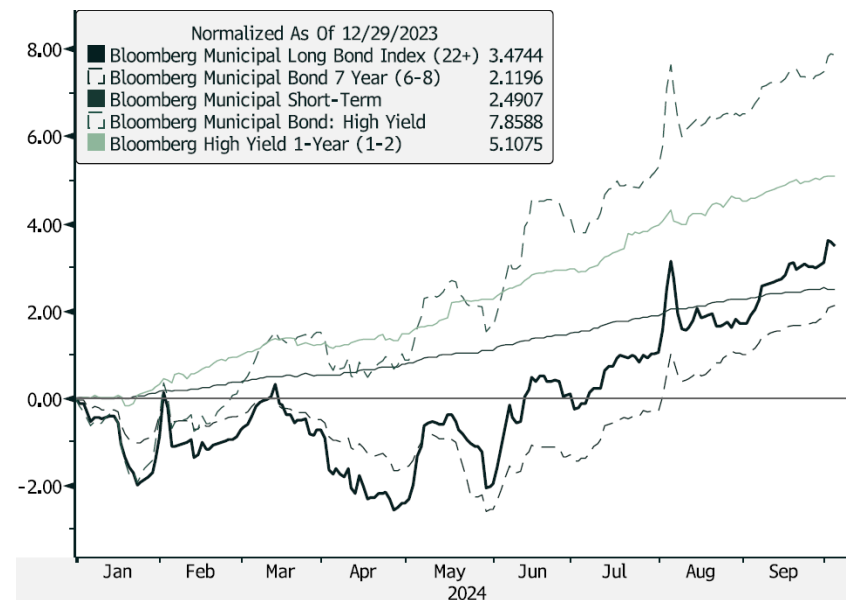
Fixed income is back and thriving as the economy cools down. Investors are continuing to price in a soft landing, with the 10-year Treasury yield dropping from 4.7% earlier in 2024 to as low as 3.62% in September. If the economy slows further and we face a hard landing, we could be looking at yields in the 3.25% range, making fixed income even more attractive. Sector-wise, fixed-rate and floating-rate preferred stocks, as well as mortgage-backed securities (MBS), have led the way in performance during the last quarter, outperforming as volatility reigned in equity markets.

On the technical front, bond yields remain sensitive to both inflation and Federal Reserve policy, but with inflationary pressures easing and economic growth moderating, the market is increasingly expecting a dovish pivot from the Fed. This environment has made duration-sensitive bonds more appealing, as any dovish shift could send yields lower and prices higher.

What is the play?

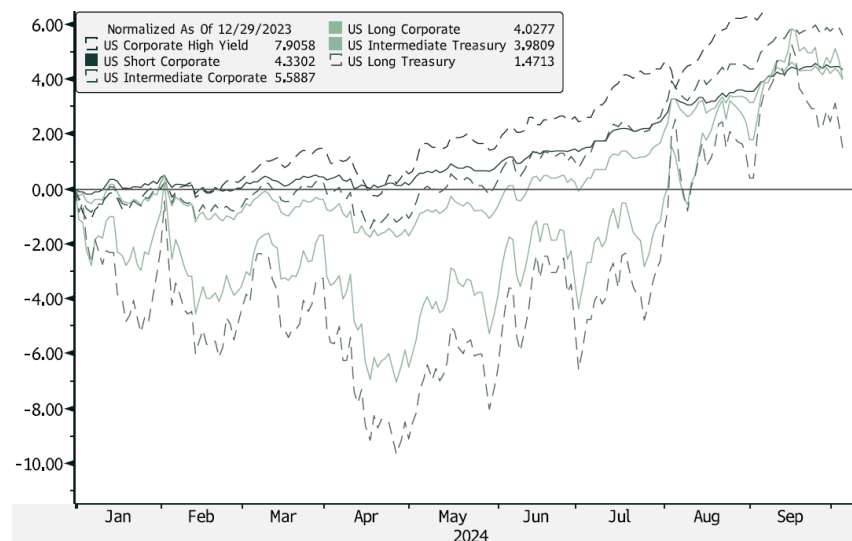
Looking ahead, the recommendation for investors is to focus on adding duration and moving up in credit quality. With credit spreads remaining tight and the soft-landing scenario still in play, there is an opportunity to capitalize on rising yields by adding MBS, regional bank preferred stocks, and investment-grade corporate bonds to portfolios. High-quality fixed-rate preferreds are also recommended, as they provide enhanced yields in a potentially more dovish monetary environment.

MUNI FIXED INCOME



Source: Solist Wealth Management, Bloomberg Terminal L.P. as of 10/04/2024

US CORP AND TREASURY FIXED INCOME



Source: Solist Wealth Management, Bloomberg Terminal L.P. as of 10/04/2024

Economic Overview

Jay "50bps" Powell

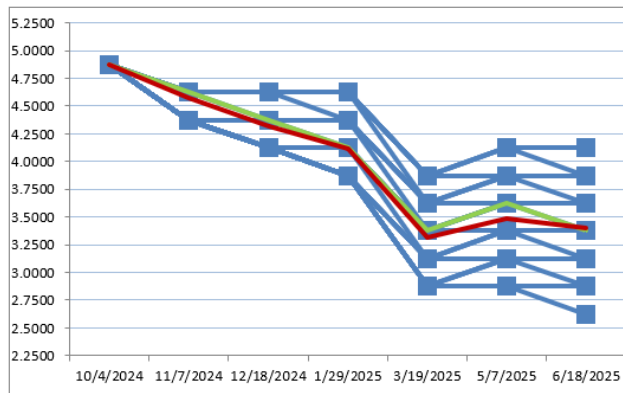
The global economy this past quarter is a basket of diverse actions. Notably, the US cut rates by half of a point. Models leading up to the September 18th meeting showed wild moves fluctuating between a quarter point and the 50bps ultimately received. The Peoples Bank of China unveiled a broad range of easing measures: 1) lower reserve requirement for banks, 2) lower policy rate, and 3) housing market rate support. The ECBs main refinancing rate started the quarter at 4.25% and is now at 3.65%. Lastly, the BOJ is sitting pretty at .25% after a rate hike in July.

This month eyes are on the September fed minutes. Investors want to know what consensus was on the 50bps decision. Was it mainly driven by Jay Powell? And what does our commitment to more cuts look like? The data that we get the week of the 7th will play a massive roll in framing if we get quarter points through the end of the year or half a point. Is labor laboring and is inflation inflating or getting closer to target? That is the question. The path forward to us is clearly more easing and our best guidance follows the weaker dollar.

As for the notable, major global banks above, we expect another cut by the ECB next meeting. A continued stalemate out of the BOJ.

Date	Upcoming Economic Events
Wednesday, October 9, 2024	FOMC Meeting Minutes
Thursday, October 10, 2024	Initial Jobless Claims
Thursday, October 10, 2024	CPI MoM and YoY
Friday, October 11, 2024	U. of Mich. Sentiment
Friday, October 11, 2024	PPI Final Demand MoM
Tuesday, October 15, 2024	Empire Manufacturing
Wednesday, October 16, 2024	Mortgage Applications
Thursday, October 17, 2024	Retail Sales Advance MoM
Thursday, October 17, 2024	Continuing Claims
Thursday, October 17, 2024	Industrial Production MoM
Friday, October 18, 2024	Housing Starts & Building Permits
Thursday, October 24, 2024	Initial Jobless Claims
Friday, October 25, 2024	Durable Goods Order
Tuesday, October 29, 2024	Conf. Board Consumer Confidence
Wednesday, October 30, 2024	Core PCE Price Index QoQ
Wednesday, October 30, 2024	Personal Spending
Wednesday, October 30, 2024	GDP Annualized QoQ

Prob of Rate Hike/Cut



Meeting Date	Future Rate Levels												Cum. Bps Priced in	
	2.63%	2.88%	3.13%	3.38%	3.63%	3.88%	4.13%	4.38%	4.63%	4.88%	5.13%	5.38%		
11/7/2024								21.75%	78.25%					-30.41
12/18/2024							21.61%	77.86%	0.53%					-55.24
1/29/2025						18.06%	68.62%	13.23%	0.09%					-76.16
3/19/2025	3.69%	28.38%	57.32%	10.55%	0.07%									-156.32
5/7/2025	1.06%	10.77%	36.69%	43.89%	7.54%	0.05%								-138.44
6/18/2025	0.38%	4.59%	20.19%	39.31%	30.68%	4.82%	0.03%							-147.53

Source: Solist Wealth Management, Bloomberg Terminal L.P. as of 10/04/2024

Yield Curve: 2/10yr



Source: Solist Wealth Management, Bloomberg Terminal L.P. as of 10/04/2024