



VERABANK
WEALTH MANAGEMENT

Q3



Quarterly Market Review

Third Quarter 2024

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This report features VeraBank Wealth Management market commentary, global stock and bond market performance data, and a timeline of events for the past quarter.

With commentary about what has taken place in the financial markets and economy from July 2024 through September 2024; you'll also find returns data for major asset classes which we also include in client portfolios.

The report concludes with our current views on the market and an article providing perspective on the stock market impact of the upcoming election.

Contact a [VeraBank Wealth Management Advisor](#) with any questions or if you know someone who might benefit from our expert advice.

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Quarterly Market Review

VeraBank Wealth Management Commentary

Third quarter 2024

US Stocks continue to hit new highs







- US stocks built on a strong first half, with most market indices continuing to climb to all-time highs. In early August and again in early September, major stock indices sank, but quickly recovered losses both times and were higher as the third quarter came to a close.
- The US stock market (Russell 3000) gained 6.23% in the quarter, while International Developed and Emerging Markets outperformed the US with gains of 7.76% and 8.72%, respectively.
- Within the US stock market, Small and Value stocks led the way, outpacing the high returns we've seen from the tech sector growth stocks over the last year.

Interest rates on the decline

- The Federal Reserve began what is expected to be the first of multiple rate cuts, with a 0.50% cut bringing the Fed Funds target rate to 4.75%-5.00%.
- Bond markets have been anticipating this decreasing rate cycle, as seen by the fall in longer term rates throughout Q3 2024.
- On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 54 basis points (bps) to +4.93%, while the 1-Year US Treasury Bill yield decreased 111 bps to +3.98%. The yield on the 10-Year US Treasury Note decreased 55 bps to +3.81%.
- Bond returns were positive, fueled by decreasing yields, with the US Aggregate bond index gaining 5.20% in the third quarter.

Quarterly Market Summary

Index returns as of September 30, 2024

	STOCKS				BONDS	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q3 2024	6.23%	7.76%	8.72%	16.04%	5.20%	3.48%
						
Average Quarterly Return	2.4%	1.7%	2.6%	2.3%	1.0%	1.0%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2023 Q4	2023 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.



Long-Term Market Summary

Index returns as of September 30, 2024

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	35.19%	24.98%	26.05%	30.43%	11.57%	9.78%
5 Years	15.26%	8.36%	5.75%	2.54%	0.33%	0.64%
10 Years	12.83%	5.68%	4.02%	4.92%	1.84%	2.62%

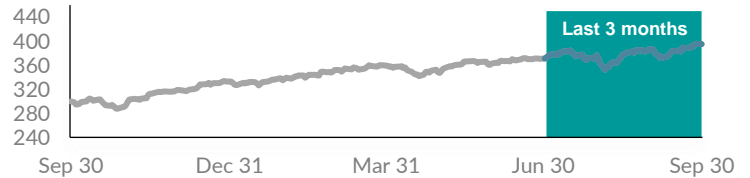
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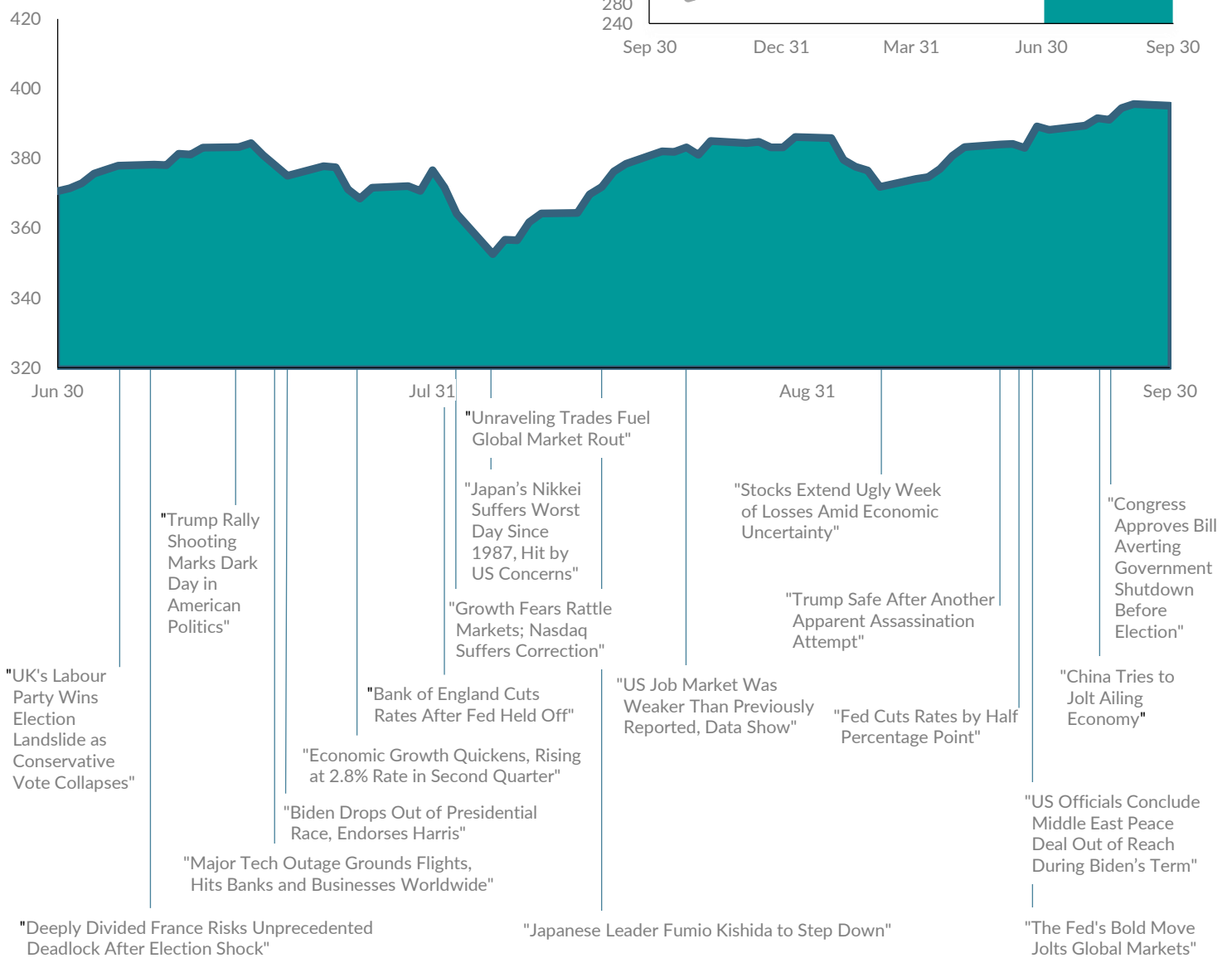
World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2024

1 YEAR (Q4 2023-Q3 2024)



Q3 2024



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

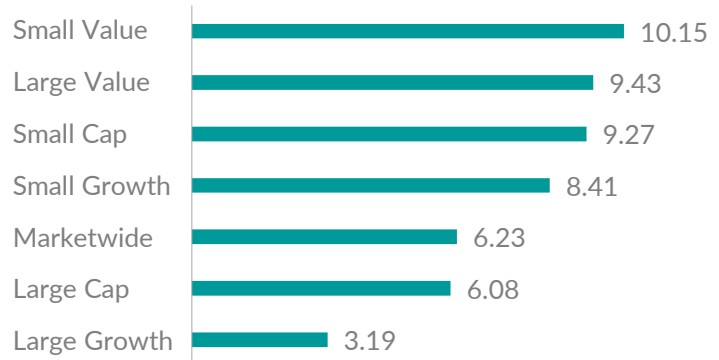
Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

US Stocks

Third quarter 2024 index returns

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value outperformed growth.
- Small caps outperformed large caps.
- REIT indices outperformed equity market indices.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED			
			1 Year	3 Years	5 Years	10 Years
Small Value	10.15	9.22	25.88	3.77	9.29	8.22
Large Value	9.43	16.68	27.76	9.03	10.69	9.23
Small Cap	9.27	11.17	26.76	1.84	9.39	8.78
Small Growth	8.41	13.22	27.66	-0.35	8.82	8.95
Marketwide	6.23	20.63	35.19	10.29	15.26	12.83
Large Cap	6.08	21.18	35.68	10.83	15.64	13.10
Large Growth	3.19	24.55	42.19	12.02	19.74	16.52

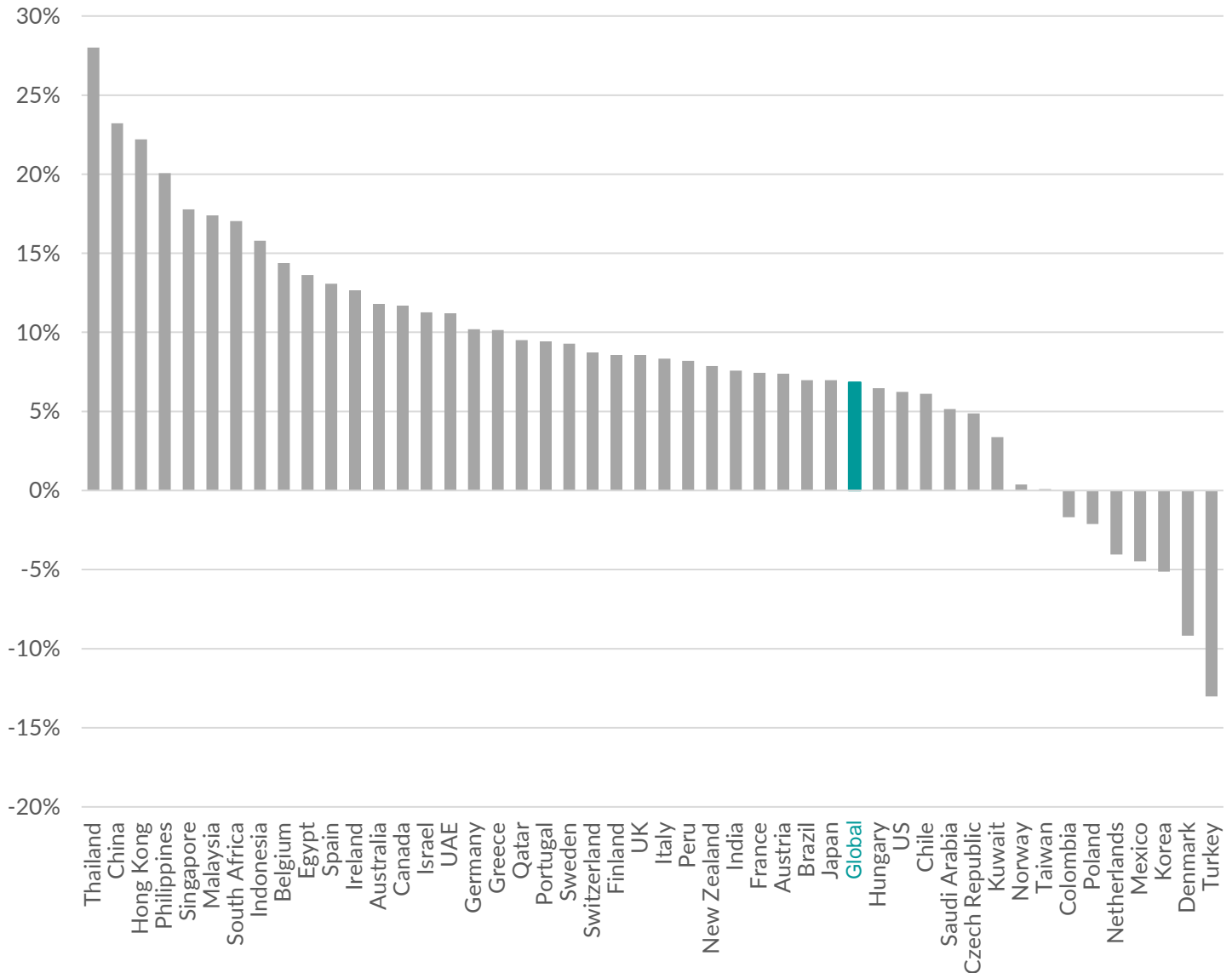
World Market Capitalization

63% US Market
\$55.4 Trillion

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Country Returns

Third quarter 2024 index returns



Past performance is no guarantee of future results. Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

Fixed Income

Third quarter 2024 index returns

Interest rates decreased in the US Treasury market for the quarter.

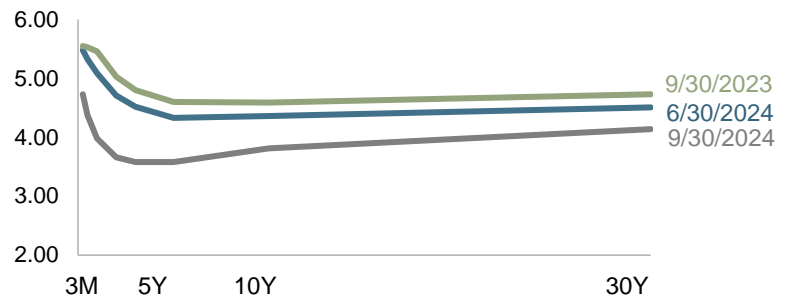
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 54 basis points (bps) to +4.93%, while the 1-Year US Treasury Bill yield decreased 111 bps to +3.98%. The yield on the 2-Year US Treasury Note decreased 105 bps to +3.66%.

The yield on the 5-Year US Treasury Note decreased 75 bps to +3.58%. The yield on the 10-Year US Treasury Note decreased 55 bps to +3.81%. The yield on the 30-Year US Treasury Bond decreased 37 bps to +4.14%.

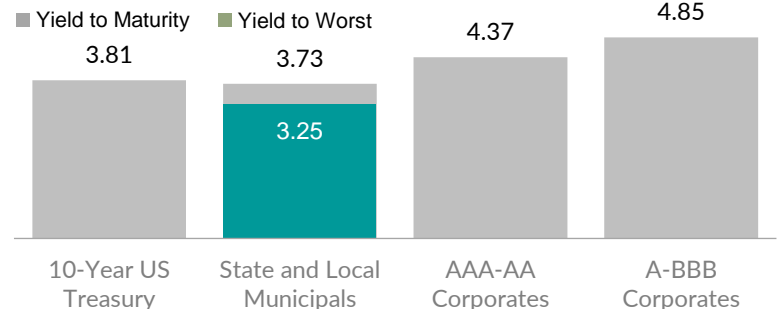
In terms of total returns, short-term US treasury bonds returned +3.43% while intermediate-term US treasury bonds returned +3.97%. Short-term corporate bonds returned +3.75% and intermediate-term corporate bonds returned +4.66%.¹

The total returns for short- and intermediate-term municipal bonds were +2.31% and +3.09%, respectively. Within the municipal fixed income market, general obligation bonds returned +2.77% while revenue bonds returned +2.70%.²

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED			
			1 Year	3 Years	5 Years	10 Years
Bloomberg U.S. Government Bond Index Long	7.81	2.44	15.43	-8.32	-4.25	1.09
Bloomberg U.S. High Yield Corporate Bond Index	5.28	8.00	15.74	3.10	4.72	5.04
Bloomberg U.S. Aggregate Bond Index	5.20	4.45	11.57	-1.39	0.33	1.84
FTSE World Government Bond Index 1-5 Years	5.09	3.61	8.74	-0.77	0.36	0.14
Bloomberg U.S. TIPS Index	4.12	4.85	9.79	-0.57	2.62	2.54
FTSE World Government Bond Index 1-5 Years (hedged to USD)	2.98	4.15	7.37	1.36	1.43	1.71
Bloomberg Municipal Bond Index	2.71	2.30	10.37	0.09	1.39	2.52
ICE BofA 1-Year US Treasury Note Index	2.03	4.01	5.87	2.48	1.99	1.55
ICE BofA US 3-Month Treasury Bill Index	1.37	4.03	5.46	3.49	2.32	1.65

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&BI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2024 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2024 ICE Data Indices, LLC. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

Market Perspectives

VeraBank Wealth Management Commentary

Interest Rates: The path forward

- The market currently sees a 0.25% cut in the Fed Funds rate in both November and December, which would lower the rate to 4.25%-4.50% to end the year. As inflation continues to trend lower, the market expects the Federal Reserve to continue rate cuts into 2025.
- The most likely scenario currently priced by bond markets has the Fed concluding their rate cut cycle at 3.25%-3.50% by Q3 2025.
- Remember, the Federal Reserve only sets the Fed Funds Target Rate, which has a greater impact on shorter term rates. Other bonds yields and interest rates that more directly impact mortgage and loan rates are determined by market forces. For example, the 10 Year Treasury Rate reached the 2024 low just two days before the Fed cut on September 18th. Since then, the yield has steadily increased from the low of 3.63% up to 4.09% as of October 10th.



What's Next?

- Election Day: National polls show a tight contest, with no clear front-runner ahead of Election Day. Citizens can understandably have strong feelings about the outcomes of political races. However, when thinking about investments, history shows the president is only one of many inputs to the market. We examine the history on the next page – Eyes on the Election.

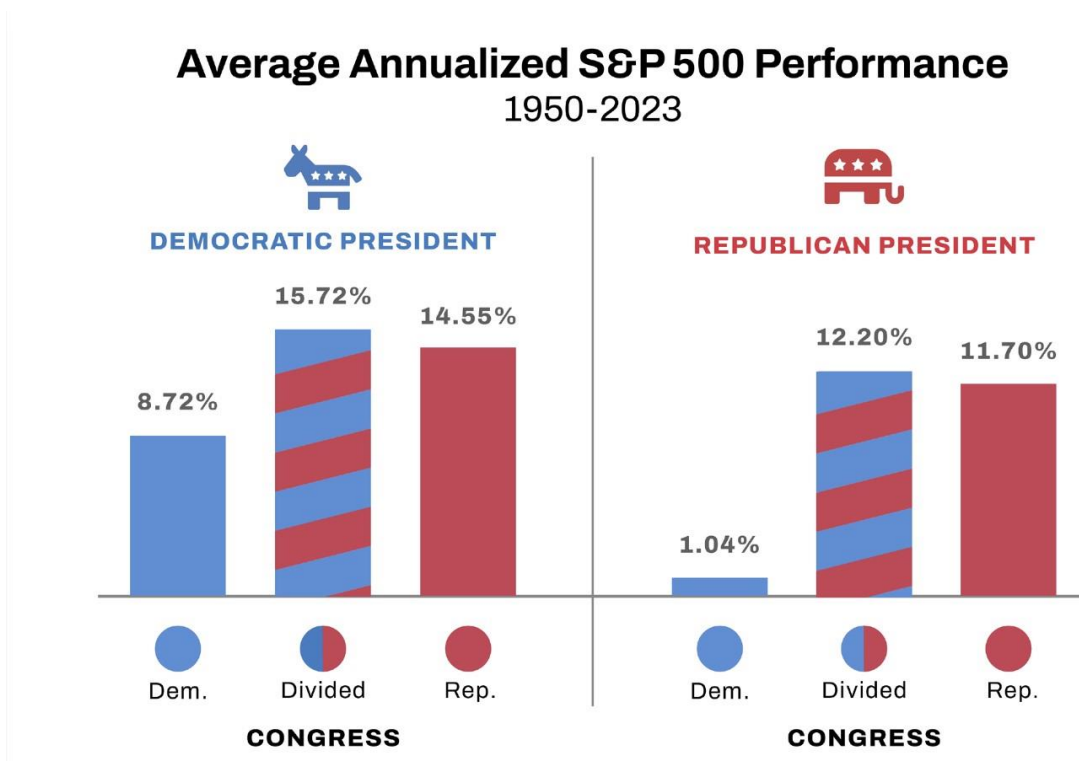
Eyes on the Election

What can we learn from the history?

During a presidential election year, many investors try to seek a connection between who wins the White House and which way stocks will go. Some may even wonder whether they should get out of the stock market altogether before the ballots are counted. However, a look at history may offer some reassurance.

While it may be natural to wonder whether you should make an investment decision based on how elections might unfold, data suggests such moves are unlikely to result in better returns. There is a stronger case for investors to look past elections and maintain a steady approach to markets—in other words, make a long-term plan based on the things you can control and stick to it.

As shown below, the highest average annual returns of the S&P 500 have occurred during a divided Congress, where each party holds a majority in the House or Senate. The good news for investors is that the market has historically been positive under all six government compositions and has consistently grown in value over the long term, no matter who is in office.



It is important for investors to remember that shareholders are investing in companies, not politicians, and stocks haven't shown much of a party preference. After all, the market isn't a reflection of who gets elected president but of the efforts of companies to solve problems and provide goods and services. In the long run, innovation succeeds, no matter what politicians do.



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