

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned -0.92% and -0.73%, respectively in October.
- ▶ Within the S&P 500, three of the 11 sectors posted positive returns. The Financials sector was the best performer for the month, returning 2.69%. The second-best performing sector was Communication Services, which posted a return of 1.94%, while Healthcare was the worst performing sector, returning -4.62%.
- ▶ Negative returns were seen across all capitalizations, with small-caps (Russell 2000) returning -1.44%, mid-caps (Russell Mid Cap Index) returning -0.54%, and large-caps (Russell 1000 Index) returning -0.70%. Growth stocks outperformed value stocks across all capitalizations during the month.
- ▶ According to FactSet Earnings Insight (as of October 25, 2024), the blended year-over-year (YoY) earnings growth for the S&P 500 in Q3 was 3.6%, compared to a prior estimate of 4.4%. For calendar year 2024, analysts revised estimates down slightly to a YoY earnings growth estimate of 9.0%.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, returned -4.91%. Developed markets, represented by the MSCI EAFE Index, returned -5.44%, as Europe (MSCI Europe Index) saw weak returns of -6.22% in October. Emerging markets (EM), as represented by the MSCI Emerging Markets Index, returned -4.45% in October, driven by negative returns from China (MSCI China Index) and India (MSCI India Index), which returned -5.91% and -8.26%, respectively.
- ▶ Within the ACWI ex-U.S. Index, all 11 sectors posted negative returns. Information Technology was the best performing sector for the month, returning -2.38%, while Financials was the second-best performer, returning -2.83%. Consumer Staples was the worst performing sector, posting a return of -7.93%.

Fixed Income

- ▶ U.S. Treasury yields have been climbing in October on a combination of strong U.S. economic data, rising concern about the outlook for the U.S. deficit and inflation, and a higher term premium. Across the yield curve with maturities greater than one year, yields went up between 36 basis points (bps) and 60 bps.
- ▶ The Bloomberg U.S. Aggregate Index (Aggregate) returned -2.48% in October. Investment-grade (IG) credit as a whole returned -2.41%, AAA-rated bonds returned -1.98%, AA-rated

bonds returned -2.71%, A-rated bonds returned -2.53%, and BBB-rated bonds returned -2.32%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index, saw a return of -0.55% during the month, while the Broad Treasury Index returned -2.48%.

Diversifying Assets

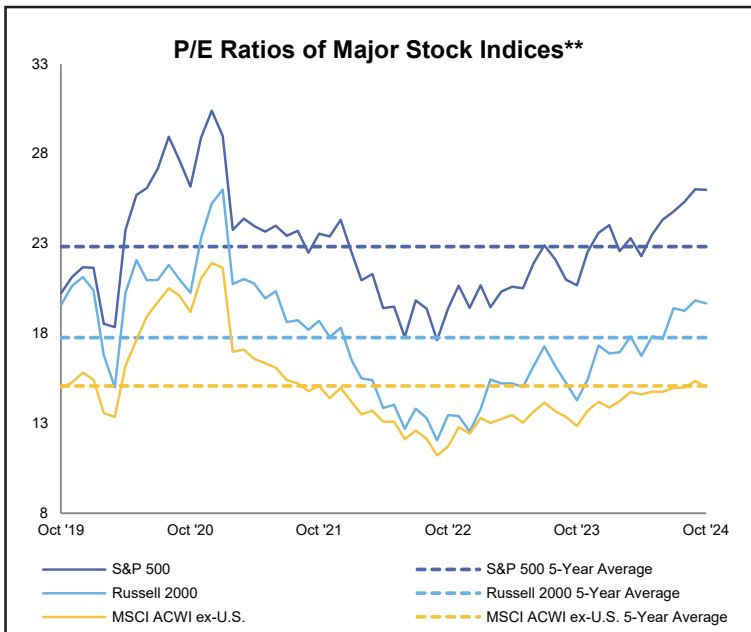
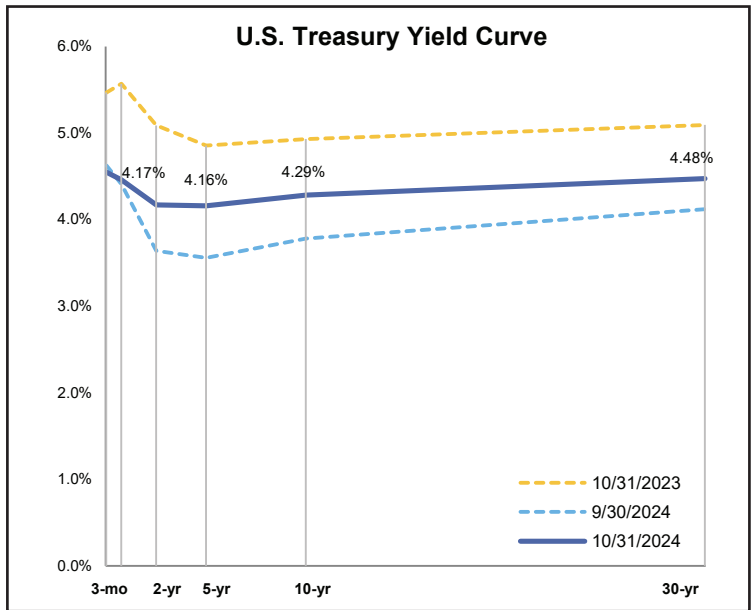
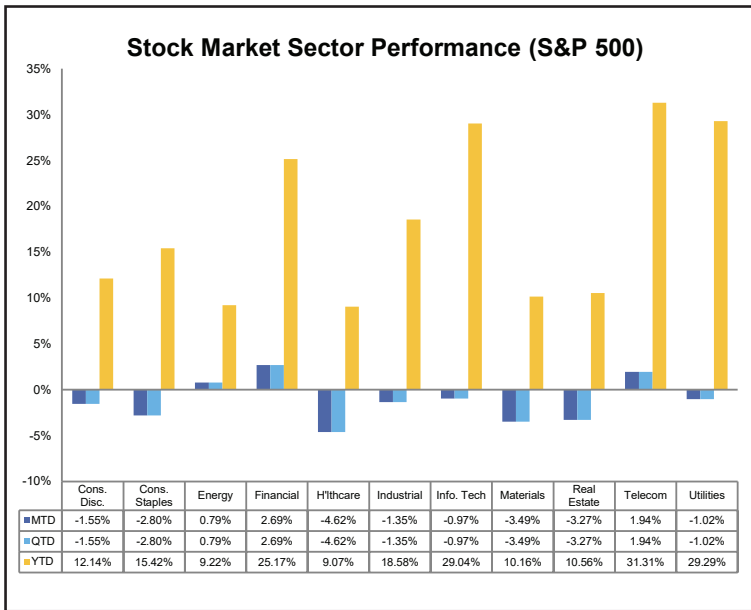
- ▶ During October, real estate investment trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index, returned -2.92% and -2.90%, respectively. The Data Centers sector did well during the month, while the Industrial sector was challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned -2.89% for the month.

Items to Watch

- ▶ Federal Reserve (Fed) policymakers recently expressed support for further interest-rate cuts, but appeared to differ on the pace and magnitude of the cuts. Markets are widely expecting the Fed to cut rates by 25 bps at both November and December Federal Open Market Committee (FOMC) meetings.
- ▶ So far, the Fed has achieved a so-called “soft landing” as gross domestic product (GDP) grew by 2.8% in the third quarter on an annualized basis. Real GDP growth was powered by robust consumer and government spending.
- ▶ Looking at the recent trend, the 3-month annualized core PCE (Personal Consumption Expenditure) deflator, the Fed’s preferred gauge for inflation, was up 2.3% through September, a tick higher than the 2.2% recorded in August, but still close to the Fed’s 2% inflation target.
- ▶ Non-farm payrolls added just 12,000 jobs in October, the smallest gain since December 2020. Manufacturing employment fell 46,000 in October and was impacted by hurricanes and strikes, while healthcare and government employment followed their upward trend. Despite the sharp decline in hiring, the unemployment rate remained unchanged at 4.1%. The YoY average hourly earnings rose 4.0% in October, which continues to outpace inflation and is still broadly supportive of consumer spending.
- ▶ Ballooning artificial intelligence (AI) expenditures at big tech companies are coming under close scrutiny from investors. According to Reuters, major tech companies are expected to ramp their spending by 40% or more this year. The late October tech sell-off was sparked by the latest earnings from mega-cap firms that mostly exceeded estimates, but exacerbated concerns about heavy investment in artificial intelligence.

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-0.92%	-0.92%	20.96%	37.99%
Russell 3000	-0.73%	-0.73%	19.74%	37.84%
Russell 2000	-1.44%	-1.44%	9.56%	34.06%
Russell 1000	-0.70%	-0.70%	20.33%	38.05%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-4.91%	-4.91%	8.61%	24.33%
MSCI EAFE	-5.44%	-5.44%	6.85%	22.97%
MSCI Emerging Markets	-4.45%	-4.45%	11.66%	25.32%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-2.48%	-2.48%	1.86%	10.55%
Bloomberg Barclays Global Agg	-3.35%	-3.35%	0.12%	9.54%
Bloomberg Barclays U.S. HY	-0.55%	-0.55%	7.44%	16.47%
Alternatives and Diversifying	MTD	QTD	YTD	1 YR
MSCI U.S. REIT	-2.92%	-2.92%	11.47%	34.81%
FTSE NAREIT Index	-2.90%	-2.90%	12.57%	36.80%
MSCI World Core Infrastructure	-2.89%	-2.89%	9.58%	24.69%
Bloomberg Commodity	-1.85%	-1.85%	3.89%	-1.18%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	4.1%	4.1%
Initial Jobless Claims (4 week average)	224.3 K	225 K
CB Leading Economic Indicators	-0.5	-0.3
Capacity Utilization	77.5%	77.8%
GDP (annual growth rate)	2.8%	3.0%
University of Michigan Consumer Confidence	70.5	70.1
New Home Starts	738 K	709 K
Existing Home Sales	3.8 MM	3.9 MM
Retail Sales (YoY)	1.7%	2.2%
U.S. Durable Goods (MoM)	-0.8%	-0.8%
Consumer Price Index (YoY)	2.4%	2.5%
Producer Price Index (MoM)	-0.1%	0.2%
Developed International*	6/30/2024	3/31/2024
Market GDP (annual rate)	0.6%	0.4%
Market Unemployment	4.5%	4.5%



Source: Bloomberg. Data as of October 31, 2024, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of June 30, 2024 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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