

October saw broad negative performance across most asset classes, with some resilience in select commodity sectors. Key drivers of market volatility included presidential election uncertainties, renewed inflationary concerns, and rising bond yields, which placed additional pressure on equities and bonds. However, equity markets have since responded favorably to kick off the month of November, with the S&P 500 reaching new all-time-highs after President-Elect Donald Trump was declared the winner of the 2024 presidential election.

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In October, the Personal Consumption Expenditures (PCE) report indicated continued stability in inflation metrics. Both Headline and Core PCE remained relatively steady year-over-year, with Headline PCE decreasing from 2.27% to 2.02%—the smallest year-over-year increase since early 2021. Core PCE eased slightly from 2.72% to 2.65%. While inflation has shown modest declines over the past year, concerns about a potential resurgence remain, reflected by rising yields across the yield curve, with the 10-year U.S. Treasury yield climbing from 3.74% on October 1st to almost 4.40% by month-end.

Prominent market figures, including Paul Tudor Jones, have voiced concerns about inflation. Jones warned that “all roads lead to inflation,”¹ pointing to substantial budget deficits under both the Trump and Biden administrations, with minimal emphasis on deficit reduction in recent political campaigns. The Congressional Budget Office (CBO) projects a deficit of \$1.915 trillion for 2024, with an increase to \$2.862 trillion by 2034.² Many investors and market commentators fear that continued deficit spending could exacerbate inflationary pressures, potentially forcing the government to manage its debt burden through inflationary policies.

The Federal Reserve’s 2% inflation target remains a primary objective, though recently a heavier emphasis has been placed on balancing and maintaining labor market stability. Despite inflation concerns, the Fed has expressed optimism that inflation is approaching its goal, as reflected in recent moderation in monthly inflation metrics. The Fed’s rate-cutting cycle, initiated in September, suggests a belief that inflationary pressures are easing, allowing for a shift toward policies that support economic growth.

However, some market participants question whether the Fed’s easing measures may be premature, given persistent fiscal deficits and possible future inflationary pressures. The

interplay between Fed policy, fiscal responsibility, and government spending will be crucial as investors monitor potential impacts on interest rates, inflation, and market stability. October’s labor data provided additional context, with job growth coming in softer than anticipated. The economy added only 12,000 jobs, far below the forecasted 100,000, though temporary disruptions such as the Boeing strike and recent hurricanes likely contributed to the lower figures. Revisions to prior months also reduced the job count by 112,000. The unemployment rate held steady at 4.1%, indicating a slowdown in labor market growth that could help reduce inflationary pressures. This softer labor data may further support the Fed’s case for continuing its rate-cutting cycle.

Turning to the election, Donald Trump was declared the winner of the 2024 presidential race on Wednesday morning after securing key swing states. Equities responded positively, with the S&P 500 up 2.53% and small caps, represented by the S&P 600, rising 6.1%. Meanwhile, the 10-year Treasury yield reached a recent intraday high of 4.76%, putting further pressure on the bond market.

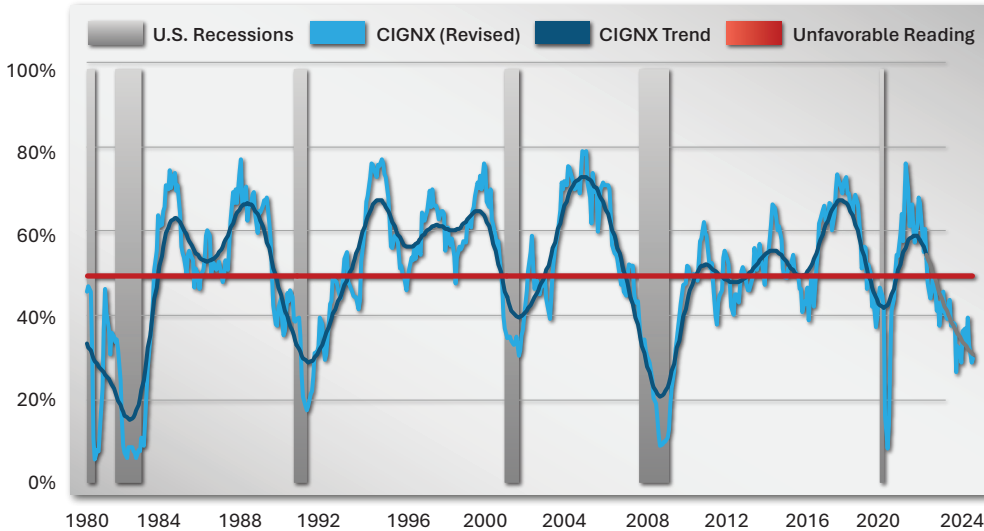
Following the election, the Federal Reserve held its FOMC meeting on Thursday and proceeded with a widely anticipated 25 basis-point rate cut, citing a slowdown in labor market and continued progress towards their inflation goal as justification for the additional cut.

Nonetheless, despite the recent rally in equity markets, investor sentiment appears to be cautious about potential tariff policies under the new administration, not only toward China but also other trade partners. If implemented, these tariffs could trigger a one-time increase in the prices of various goods, similar to the impact of a sales tax hike. Should these tariffs drive a meaningful rise in inflation in 2025, the Federal Reserve may feel pressured to limit its federal funds rate cuts to manage inflationary effects.

1. <https://www.cnn.com/2024/10/22/tudor-jones-is-long-gold-and-bitcoin-as-hedge-fund-titan-believes-all-roads-lead-to-inflation.html>

2. <https://www.cbo.gov/data/budget-economic-data#3>

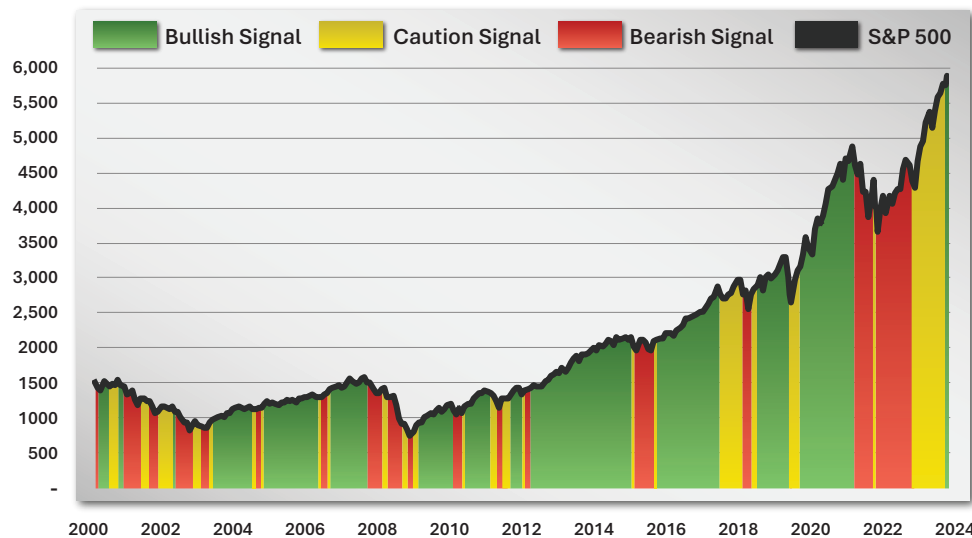
CIGNX = 33.4



Our **CIGNX** Economic Indicator has a reading of **33.4**, up from last month's revised reading of **30.0**. The reading is still indicative of sluggish economic activity and a continued unfavorable trend in the economy. This remains well below our baseline threshold of **50.0**, indicative of unfavorable conditions, and below our secondary baseline reading of **40.0**, which we typically interpret as the economy experiencing recessionary conditions. **Our overall economic outlook remains negative.**

MONTH (2024)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CIGNX (Revised)	32.0	28.8	36.6	37.4	33.6	39.8	33.2	29.0	30.0	33.4		
CIGNX Trendline	35.2	34.6	34.0	33.4	32.9	32.4	31.8	31.3	30.8	30.3		

ALPHA = Positive (Buy) OMEGA = Positive (Buy)



Both our short-term (**Alpha**) signal and intermediate-term (**Omega**) signal remained **Positive** during the month of October, indicating the near-term and longer-term market trajectory is favorable. We remain in a "Bullish" positioning across each of our Dynamically managed Portfolios, with an increased exposure to equities. **Our overall market sentiment outlook is Bullish.**

MONTH (2024)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
ALPHA	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY		
OMEGA	SELL	SELL	SELL	SELL	SELL	SELL	SELL	SELL	BUY	BUY		

U.S. Large Cap Stocks

S&P 500 Index

Monthly: -0.91%

Year to Date: 20.97%

The S&P 500 Index experienced a pullback in October, declining by -0.91% and reversing some of the gains made in previous months. This decline marked a slight pause in what has otherwise been a strong year for equities, as the index has achieved impressive growth, up 20.97% year-to-date. Despite October's softer performance, the S&P 500 remains one of the best-performing indices globally, reflecting investor optimism amid a resilient economy and favorable earnings reports earlier in the year. Factors contributing to the October dip included rising bond yields, inflationary concerns, and geopolitical uncertainties.

U.S. Mid Cap Stocks

S&P 400 Index

Monthly: -0.71%

Year to Date: 12.74%

The S&P 400 Mid-Cap Index posted negative returns in October, declining by -0.71% for the month. Despite this setback, the index remains solidly positive for the year, with a year-to-date gain of 12.74%. October's decline reflected broader market trends, as mid-cap stocks were impacted by rising interest rates, inflationary pressures, and increased uncertainty around economic policy. However, mid-caps have generally shown resilience, often benefiting from their balanced exposure to growth and value segments, which can appeal to investors seeking stability amid market volatility.

U.S. Small Cap Stocks

S&P 600 Index

Monthly: -2.64%

Year to Date: 6.45%

The S&P 600 Small-Cap Index faced a notable decline in October, returning -2.64% for the month. This pullback marks a more substantial setback for small-cap stocks compared to their larger peers, reflecting the heightened sensitivity of small caps to economic uncertainties and rising interest rates. Despite the October dip, the index remains positive year-to-date with a gain of 6.45%. Small-cap stocks often experience more pronounced volatility due to their reliance on domestic markets and greater sensitivity to economic shifts, but they can also offer higher growth potential during periods of economic expansion.

U.S. Bonds

U.S. Agg Bond Index

Monthly: -2.48%

Year to Date: 1.86%

The U.S. Aggregate Bond Index experienced a challenging October, posting a monthly return of -2.48% as rising yields and inflation concerns pressured fixed income markets. Despite this setback, the index remains in positive territory for the year, with a year-to-date return of 1.86%. The negative performance in October reflects the ongoing volatility in the bond market, where yields have been increasing as investors adjust expectations around Federal Reserve policy and broader economic indicators. This environment has created a more cautious outlook for fixed income, as investors balance risks of resurfacing inflation.

Alternative Assets

S&P GSCI Index

Monthly: 0.46%

Year to Date: 5.71%

The GSCI Index, which tracks a broad range of commodities, posted a modest gain of 0.46% in October, bringing its year-to-date return to 5.71%. Within the index, precious metals showed strength: gold rose nearly 4%, reflecting its appeal as a safe-haven asset amid market volatility, while silver surged over 7%. Crude oil saw marginal gains, as supply dynamics and geopolitical factors offset some concerns around slowing global demand. The GSCI Index's positive performance year-to-date highlights commodities' resilience in a year marked by fluctuating inflation expectations and economic uncertainty.

U.S. Real Estate

S&P 1500 Real Estate

Monthly: -3.34%

Year to Date: 10.48%

The S&P 1500 Real Estate Index faced a challenging month in October, declining by -3.34% as higher yields and economic uncertainties weighed on the sector. Despite this monthly setback, the index remains up by 10.48% year-to-date. Elevated rates have increased borrowing costs, which can impact property values and slow down real estate transactions. As economic uncertainty and interest rate volatility persist, the real estate market may continue to experience mixed performance, with investors keeping a close eye on Federal Reserve policy and broader economic indicators.

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