Q3 2024

NOTES ON THE MARKET

Ethos
STRATEGIC INVESTMENTS

Q3 2024 RECAP

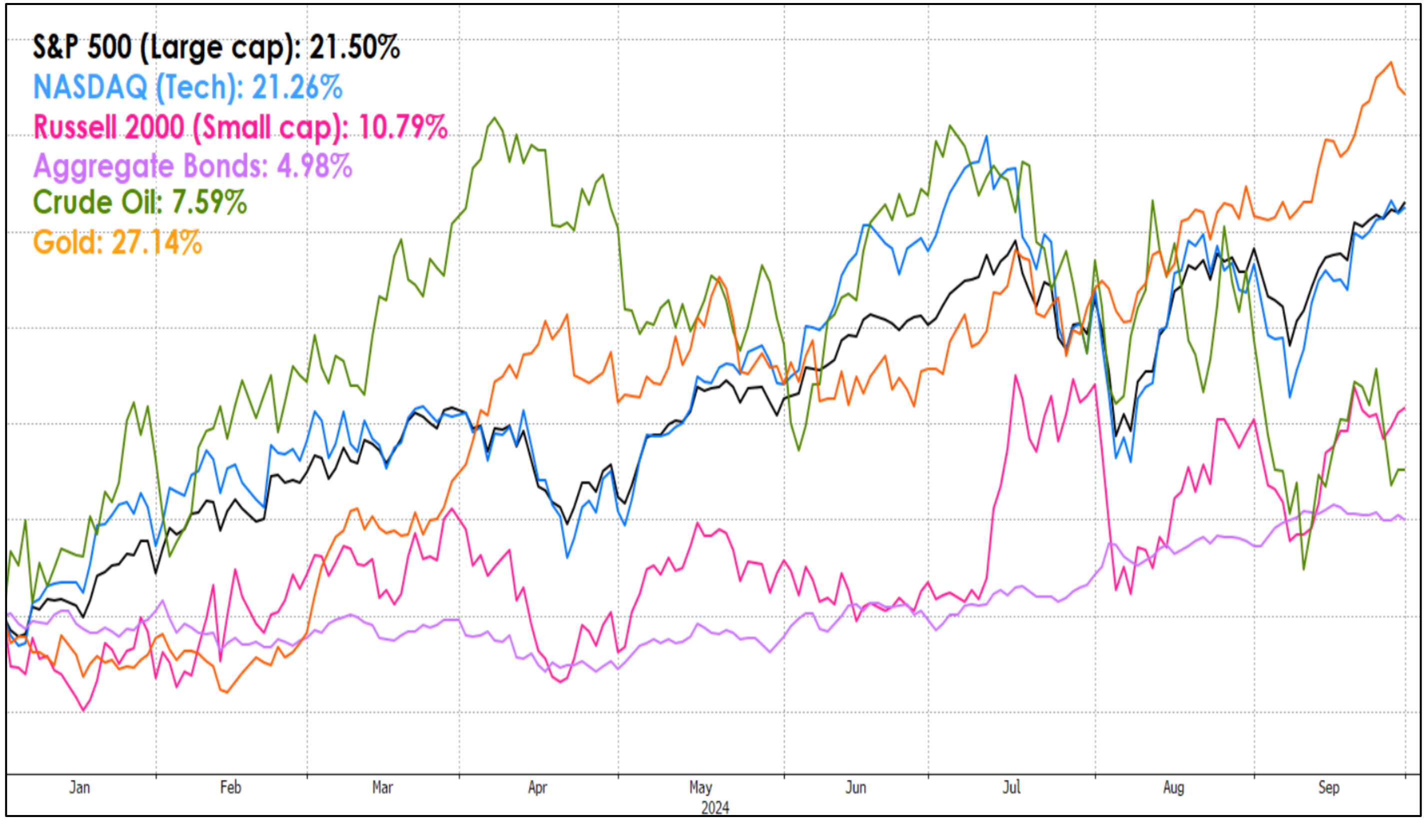
The third quarter of every calendar year is consistently plagued with bad omens and mottos including things like “Sell in May and stay away” among others. While historical data suggests there is a modest downward tailwind as summer comes to a close and the school year moves into full swing, Q3 2024 proved once again to go against the grain, bringing returns for the S&P 500 index of 5.53%. With catalysts varying from volatility spikes to long anticipated rate cuts from the Federal Reserve, it was three months of rocky markets that ultimately ended in new highs for many major indices.

“Through discipline comes freedom.” ~Aristotle

YEAR-TO-DATE, GOLD IS THE CLEAR WINNER

While equity indexes have enjoyed strong returns, many have overlooked that the best performing asset class year-to-date has been gold. Often heralded as a “safe haven” asset that tends to perform best when stocks do poorly, gold has been on a tear, outperforming most other assets.

COMMODITIES KEEPING UP WITH STOCK INDEXES



Data from Bloomberg L.P.

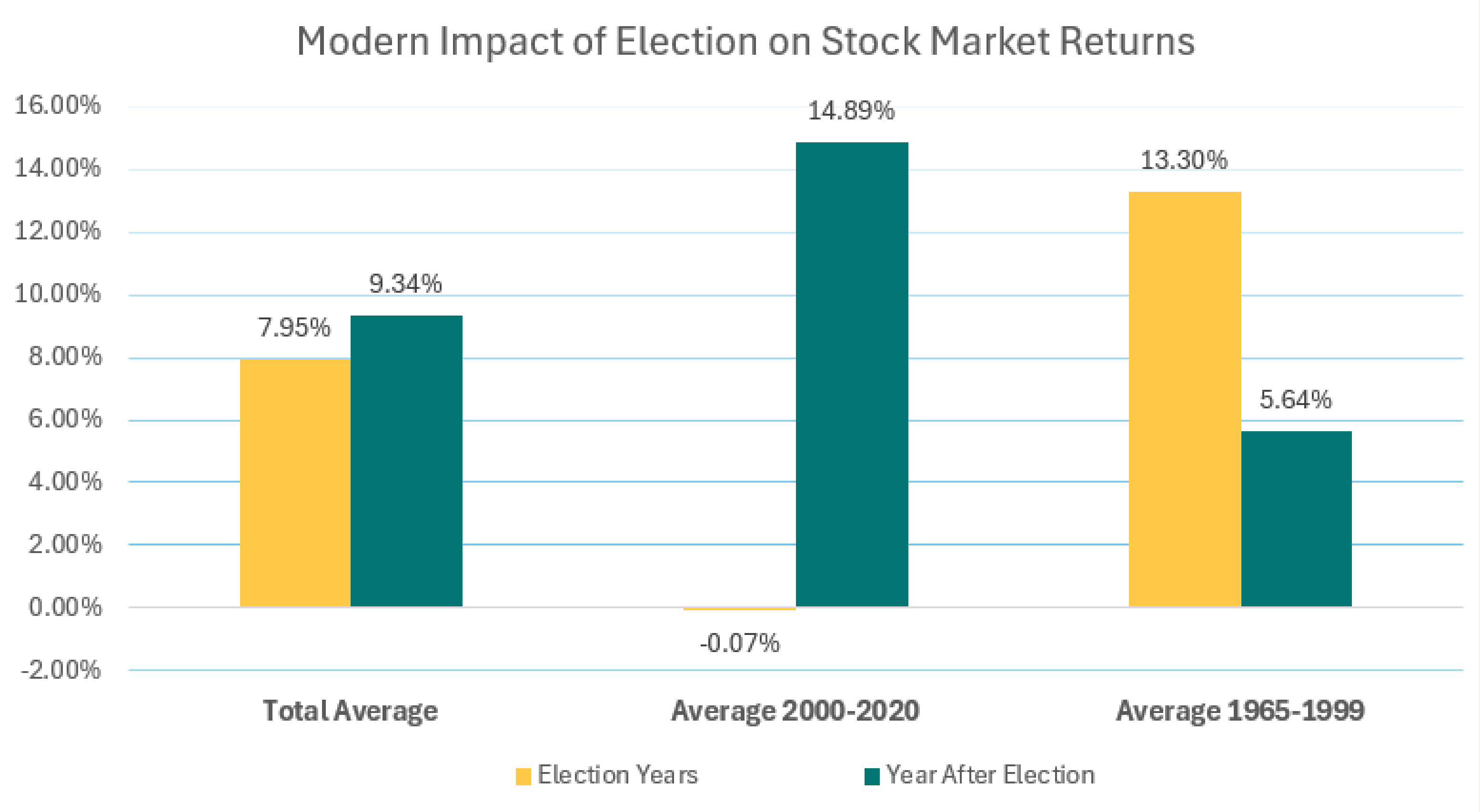
- Asset classes have broadly performed well in 2024, including equities and commodities, as well as fixed income.
- Gold has been the outperformer, returning over 27% year-to-date, more than 5% greater than other major indices like the S&P 500.
- Traditionally, commodities lag behind stocks in strong economies.

POST-ELECTION RETURNS ARE HISTORICALLY STRONG

Average returns the year after an election year are greater than 9% over the past 50+ years, with average post election returns this century being even greater at just under 15%.

AVERAGE HISTORICAL RETURNS OF THE S&P 500

COMPARED ACROSS ELECTION YEARS AND THE YEAR AFTER



Data from Bloomberg L.P.

- Average returns for the S&P 500 the year after an election are quite positive for the past 50+ years.
- More recent data since the turn of the century shows a stronger return profile the year after an election than before the year 2000.
- While elections may inject more volatility into markets in the weeks leading up to them, there are few long-term effects.

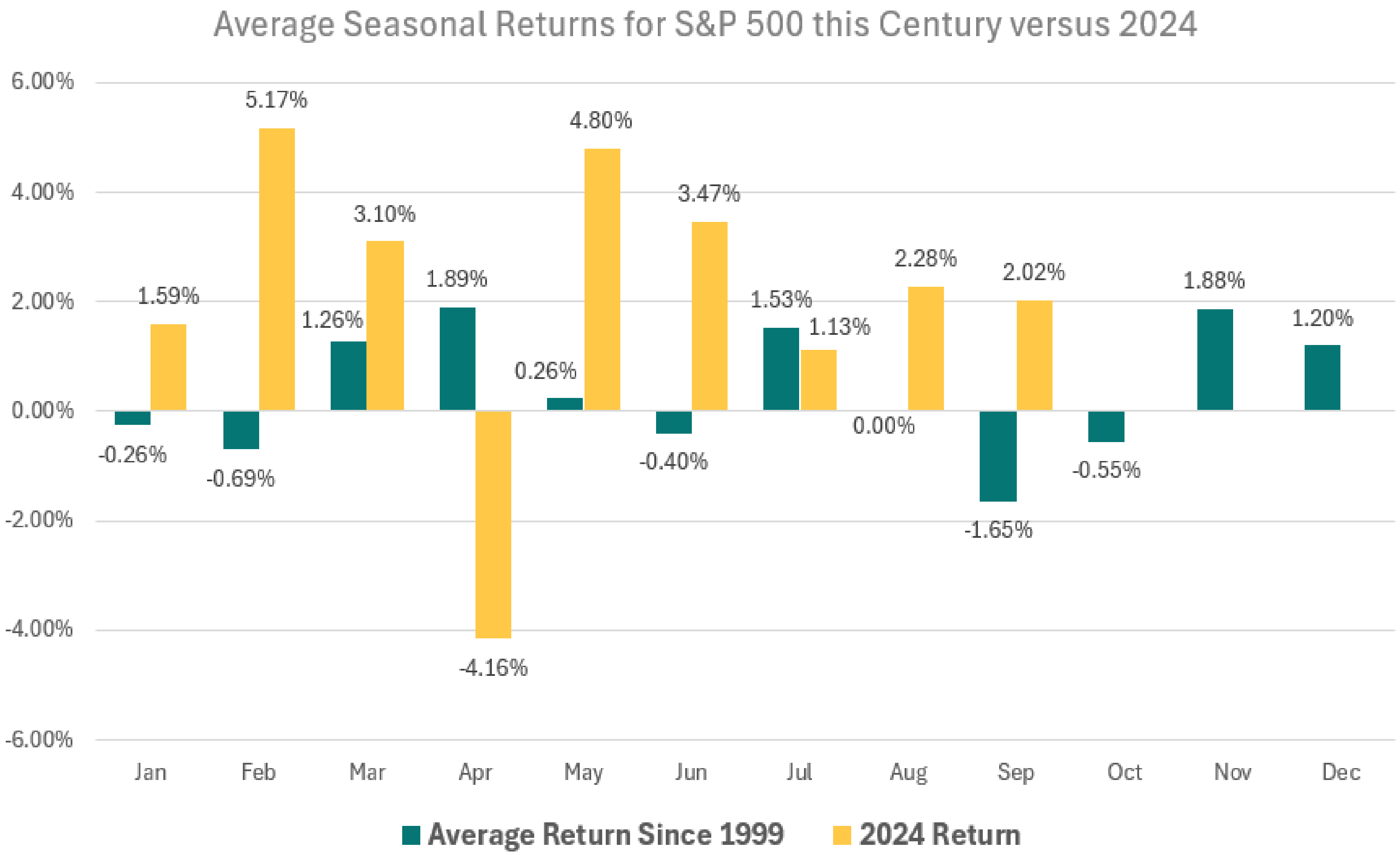
Post-Election Data by Year

2021	2017	2013	2009	2005	2001	1997	1993	1989	1985	1981	1977	1973	1969	1965
26.89%	19.42%	29.60%	23.45%	3.00%	-13.04%	31.01%	7.06%	27.25%	26.33%	-9.73%	-11.50%	-17.37%	-11.36%	9.06%

Data from Bloomberg L.P.

VOLATILITY CAN WORK BOTH FOR AND AGAINST YOU

MONTHLY VOLATILITY AT EXTREMES



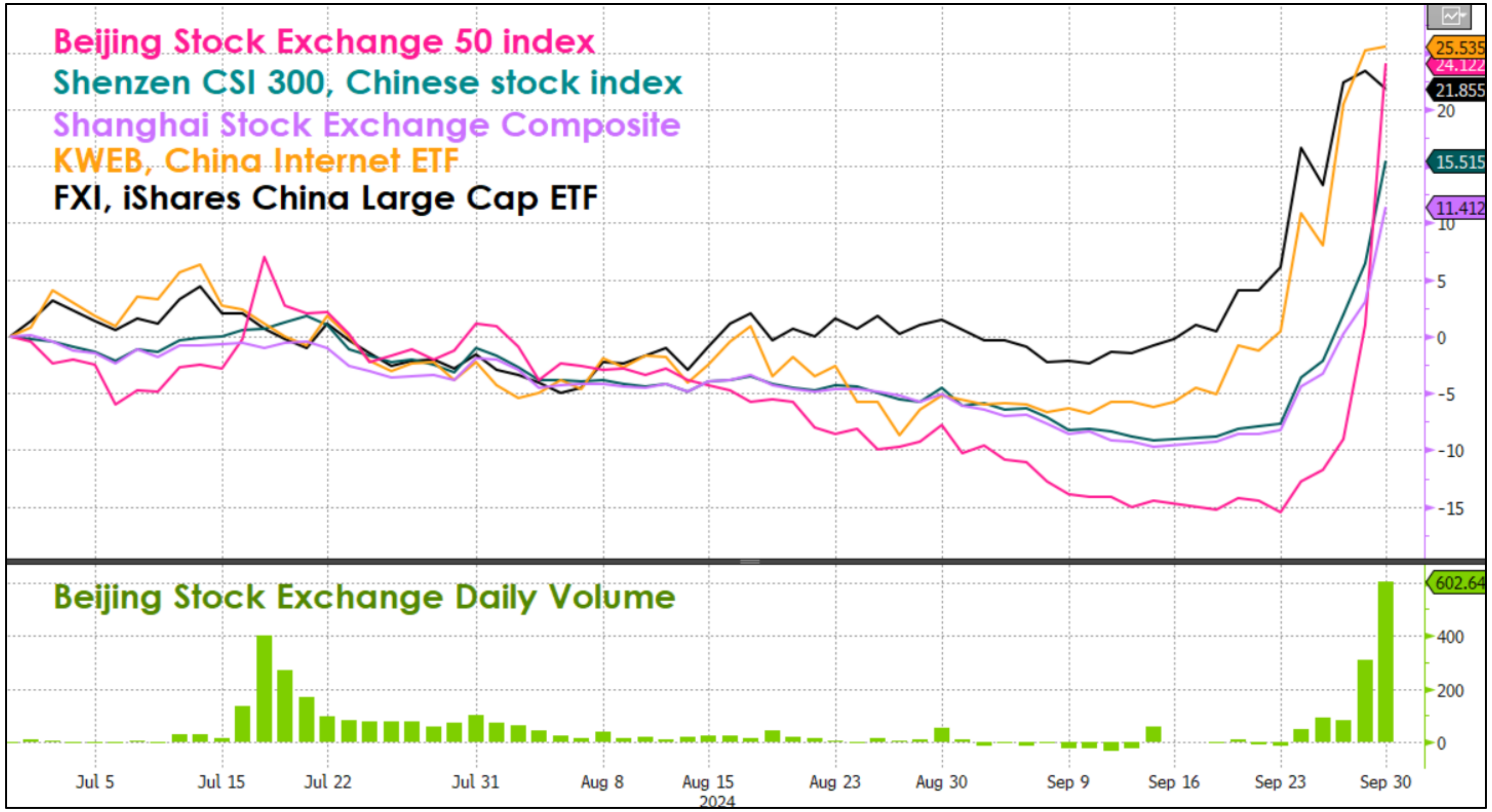
Data from Bloomberg L.P.

- 2024 monthly returns are coming in more than double what we have seen in the past 23 years in most instances, both to the upside and the downside.
- Seasonality has been inconsistent year-to-date with traditionally bad months performing exceptionally well and vice versa.
- Higher volatility, while scary, can create opportunities to “buy the dip”.
- Q4 is widely regarded as having positive seasonality as we close out the year.

CHINA’S SURPRISING STIMULUS PACKAGE

- China’s economy had been stagnating and the property market has been in a severe downtown for years.
- At the end of September China broadly cut multiple lending and reserve interest rates, including mortgage rates, to spur bank lending.
- In order to prop up the housing market, China eased mortgage repayment terms, removed purchasing restrictions, and lowered down payment requirements.
- Will it be enough to turn around the troubled economy?

CHINESE STOCKS SURGED IN RESPONSE TO THE STIMULUS



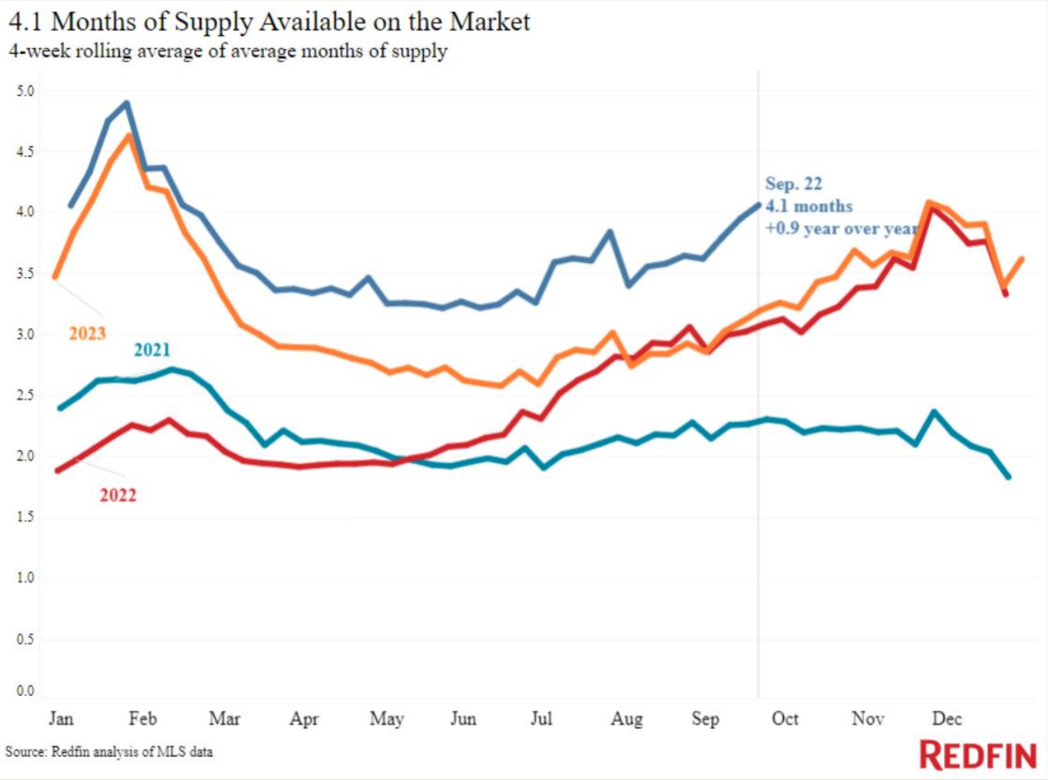
Data from Bloomberg L.P.

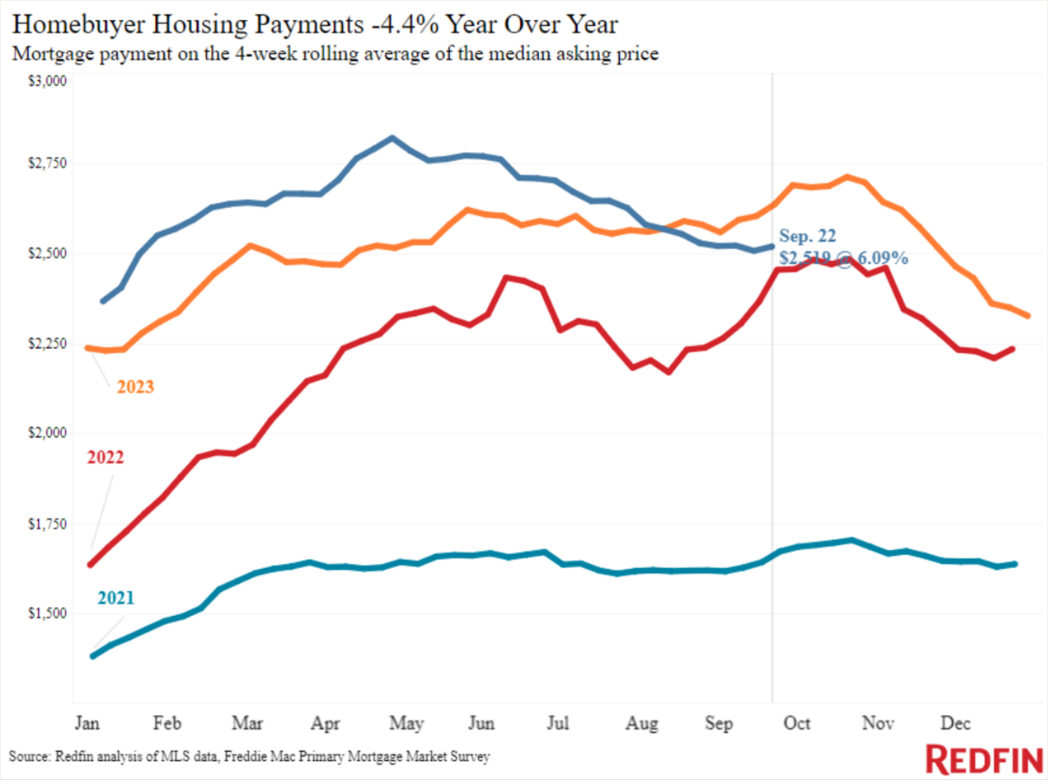
- Chinese stock indexes, along with individual Chinese stocks, skyrocketed at the announcement of the stimulus on September 24.
- The CSI 300 posted its largest daily gain since 2008 on the final day of September.
- While the response to the stimulus was broadly positive from the markets, it is too early to know if the measures taken will be effective in turning around the economy in the long-run.

HOUSING MARKET STALLS AS RATES START TO DECLINE AND THE ELECTION LOOMS

THE TIGHT HOUSING MARKET SEEMS TO BE EASING

- Average monthly supply is growing, and higher than we have seen in years.
- Mortgage payments are decreasing as lower rates ripple through the data.
- Buyers appear to be waiting on the sidelines hoping to catch rates even lower.
- Political uncertainty around the presidential elections has also eased constraints.





WHERE DO WE GO FROM HERE?

October is likely to be a volatile month given what we have already seen in 2024. Seasonally, November and December encompass what is known as the “Santa Clause Rally” period which is historically quite positive for equities. Growing geopolitical unrest continues to be disregarded by the markets but deserves a careful eye on escalation in the Middle East. Outside of that, the general clearing of uncertainty in the US as we move past the presidential election may be a release that allows equities to continue their ascent. With the US economy holding strong, housing easing, and the Fed poised to continue to cut rates we just may have a “goldilocks scenario”.

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