

Independence Asset Advisors

MONTHLY MARKET REVIEW – September 2024

	Sept 2024	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	2.14%	22.08%	36.35%	11.91%	15.98%	13.38%
U.S. Small Cap Equities Russell 2000	0.70%	11.17%	26.76%	1.84%	9.39%	8.78%
Energy Infrastructure Equities Alerian U.S. Midstream	-0.02%	30.42%	36.49%	26.52%	16.79%	5.79%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	2.64%	14.92%	33.71%	4.36%	4.41%	7.03%
Global Equities MSCI All Country World Index	2.32%	18.66%	31.76%	8.09%	12.19%	9.39%
International Developed Equities MSCI EAFE	0.92%	12.99%	24.77%	5.48%	8.20%	5.71%
Emerging Market Equities MSCI Emerging Markets	6.68%	16.86%	26.05%	0.40%	5.75%	4.02%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	1.34%	4.45%	11.57%	-1.39%	0.33%	1.84%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	0.99%	2.30%	10.37%	0.09%	1.39%	2.52%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	1.62%	8.00%	15.74%	3.10%	4.72%	5.04%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.71%	6.54%	9.59%	6.47%	5.74%	4.86%

MARKET UPDATE

- Global markets rallied in September following the Fed’s election to reduce interest rates by 0.50%.
- The policy rate cut followed lower forecasted inflation and upward revisions to forecasted unemployment.
- U.S. large cap stocks gained 2.1%, with “growth” outperforming “value” by 1.7% (S&P 500).
 - The S&P 500 Index ended the month at a new record high of 5,762.
 - Large cap “value” traded at a 41% discount to “growth” based on Current P/E.
 - REITs led equities after returning 2.6%.
- Non-U.S. equity results were positive, led by Emerging Markets, which gained 6.7% following upwardly revised growth projections for the Chinese economy.
 - A Chinese stimulus package includes a 0.20% interest rate cut, a 0.50% reduction on existing home mortgage rates and a more accommodative margin borrowing policy to encourage stock market growth.
- Fixed income categories were all positive, with bond yields declining broadly.
- Investment grade and high yield bond yields decreased in September to 4.2% and 7.0%; loans yielded 9.4%.
- The yield curve disinverted between 2-year and 10-year Treasuries by +0.20% (historical spread is 0.86%).

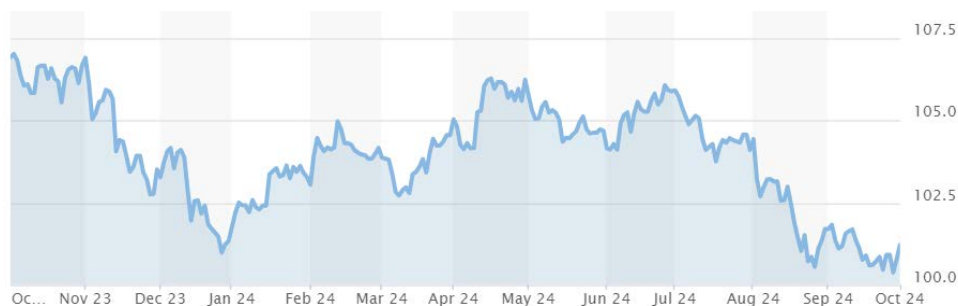
Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, globalnews.ca

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> U.S. economic growth in the second quarter came in much higher than expected, a 3.0% q/q, compared to 1.6% in Q1 (first half growth was 2.3%). Consumer spending grew 2.8% while business spending growth has been revised upward to 8.3%.
Profits	<ul style="list-style-type: none"> 2Q24 earnings season is complete: <ul style="list-style-type: none"> Earnings Per Share (EPS) was \$60.55. Growth of 11.1% y/y and 7.3% q/q.
Jobs	<ul style="list-style-type: none"> The August jobs report was lower than expected with job gains of 142,000. <ul style="list-style-type: none"> The three-month moving average declined to 116,000 jobs added. The unemployment rate declined, falling 0.1% m/m to 4.2%. Wage growth rose by 0.4% m/m and 3.8% y/y, increases from July.
Inflation	<ul style="list-style-type: none"> August Personal Consumption Expenditures Index (PCE) – Fed's Preferred Gauge: <ul style="list-style-type: none"> Headline: Eased to 2.2% y/y increase. Core: Rose to 2.7% y/y increase (due to higher shelter costs).
Interest Rates	<ul style="list-style-type: none"> The Fed voted to cut interest rates by 0.5% to a range of 4.75%-5.00%: <ul style="list-style-type: none"> The FOMC year-end estimated policy rate is 4.40%. The market expectation is lower at 4.08%. Futures market is pricing in a 2.9% Fed Funds rate by December 2025.

CANADA:

- The U.S. dollar index (DXY) **decreased** 0.9% in September and **decreased** 1.6% year-to-date (see chart below), while the U.S. dollar **strengthened** 2.1% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.35**.
- The Bank of Canada's policy interest rate was 4.25% at month-end.
- The central bank lowered its policy rate by 0.25% when it met in September.
- At 4.25%, the Bank of Canada has lowered its policy rate by 0.75% from the high of 5.0%.
- The key risk facing the Canadian economy is the dockworkers strike that began in Montreal and spread to ports along the eastern coast of the United States. The strike in Canada affects approximately 40% of container traffic at Canada's second largest port. The strike will ultimately impact in inflationary pressures, with the severity dictated by the longevity of the union holdout.



Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, globalnews.ca

COMMODITIES:

OIL:

- **The price of crude oil was \$68.27 per barrel (WTI).**
- Oil prices decreased \$5.38 per barrel, or 7.3%, in September.
- Crude oil prices were volatile in September and forecasted to remain volatile with escalating tensions in the Middle East, which now include Iran, the third largest producer in OPEC.
- **Oil is forecasted to trade between \$55 and \$75 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$77.64	\$87.01	\$66.37	-4%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

COPPER:

- **The price of copper was \$4.55 USD per pound.**
- Copper prices increased \$0.33 per pound, or 7.8%, in September.
- Copper prices moved steadily higher in September following the Fed's 0.50% rate cut and additional stimulus in China. Both measures are expected to boost global economic growth and demand for core metals.
- **Copper is forecasted to trade between \$4.50 and \$4.70 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$4.22	\$5.10	\$3.68	17%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

ALUMINUM:

- **The price of aluminum was \$2,635 USD per tonne.**
- Aluminum prices increased \$188 per tonne, or 7.7%, in September.
- Aluminum prices moved upward in September as the Fed policy rate cut and additional Chinese stimulus increased forecasted demand for industrial metals over the intermediate-term.
- **Aluminum is forecasted to trade between \$2,600 USD/tonne and \$2,750 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$2,410	\$2,768	\$2,159	11%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

Disclosures:

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, globalnews.ca

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