



Economic & Market Commentary

Major US equity indices were higher this week, with the Dow, S&P, and Nasdaq all up for the sixth consecutive week. The S&P 500 and Dow closed at another fresh record high on Friday. Big tech was largely stronger, with AAPL +3.3% and NVDA +2.4% seeing good gains. Other outperformers included airlines, asset managers, banks, P&C insurers, IBs, homebuilders, retail/apparel, casual diners, cruise lines, and utilities. To the downside, laggards included managed care, energy, semis, road/rail, machinery, chemicals. Treasury yields were basically unchanged across the curve last week but did have a fair degree of volatility during the week. The yield on the 10-year treasury dipped to 4.01% on Wednesday but stronger than expected retail sales pushed the yield back to 4.08% by week's end. This morning, the 10-year treasury yield is hovering around 4.14%. We continue to expect the yield curve to steepen over the next six months, meaning 2-year yields will be lower than 10-year yields. The yield curve had been inverted (short-term rates higher than long-term rates) for over two years. Now that the Fed is in easing mode and expected to further cut rates, this should push the 2-year yield lower and the 10-year yield higher. Historically, the spread between the 2-year and 10-year is a positive sloping +1.25%. The Fed's projection on the neutral rate is 3.0% so the 2-year should settle in around 3.25%-3.50% and then add +1.25% (historical spread) to that yield which puts the 10-year yield projection in the 4.50% and 4.75% range. Earnings season will kick into full gear over the next two weeks as the bulk of S&P 500 companies will be reporting third-quarter earnings. So far this year, 2024 earnings and 2025 projections have held up well. Earnings estimates for 2024 and 2025 are 9.4% and 15.1%, respectively. Earnings growth is vital to sustain and advance market valuations. At the moment, small and mid-cap stock valuations are more compelling.

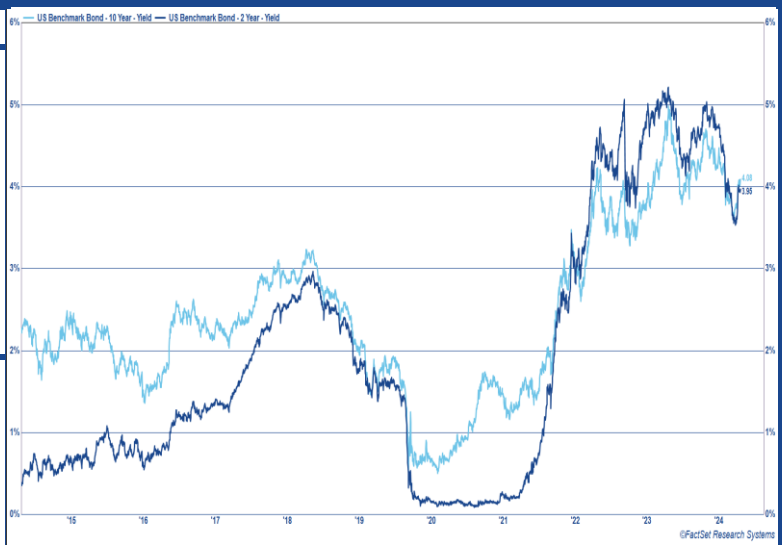
Index Total Returns - October 18, 2024

	1-Wk	YTD	1-Yr
S&P 500	0.87	24.33	38.86
NASDAQ	0.80	23.87	40.95
Dow Jones	0.98	16.55	31.81
S&P 400	1.43	16.36	29.94
MSCI-Emerging	-0.37	15.33	24.40
Russell 2000	1.87	13.50	29.43
MSCI-Developed	-0.38	10.31	21.81

Barclay's U.S. Bond Index

	1-Wk	YTD	1-Yr
High Yield	0.34	7.86	15.59
Int. Gov. Credit	0.09	3.80	8.53
Aggregate	0.05	2.98	10.00
5-year Muni	0.10	1.96	7.28
Municipal	0.23	1.95	10.00

Treasury Yields



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.18	4.19	5.47
U.S. 2-Yr	3.95	3.94	5.21
U.S. 3-Yr	3.86	3.86	5.03
U.S. 5-Yr	3.88	3.89	4.93
U.S. 10-Yr	4.08	4.08	4.90
U.S. 30-Yr	4.39	4.40	4.99

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.29	3.31	4.21
U.S. AA	3.30	3.32	4.25
U.S. A	3.66	3.68	4.76
U.S. Baa	4.13	4.17	5.28
U.S. Municipal	3.43	3.45	4.42
Michigan	3.60	3.61	4.55

S&P 500 Sector Total Returns - October 18, 2024

Sector	1-Wk	YTD	1-Yr
Info Tech	0.81	33.98	56.98
Utilities	3.42	32.54	43.89
Comm. Services	0.35	29.42	43.60
Financials	2.44	28.17	46.15
Industrials	0.60	23.51	39.63
Consumer Staples	0.72	18.03	24.58
Materials	1.94	15.95	27.18
Real Estate	3.02	14.50	36.05
Health Care	-0.50	13.71	21.00
Con. Discretion	1.22	13.23	27.30
Energy	-2.60	11.41	3.68

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	22.02	18.35	1.21
S&P 400 - Mid Cap	16.40	15.95	1.32
S&P 600 - Small Cap	15.80	15.48	1.56