The Longo Group
Independent Financial Firm

Chart book

As of October 31, 2024

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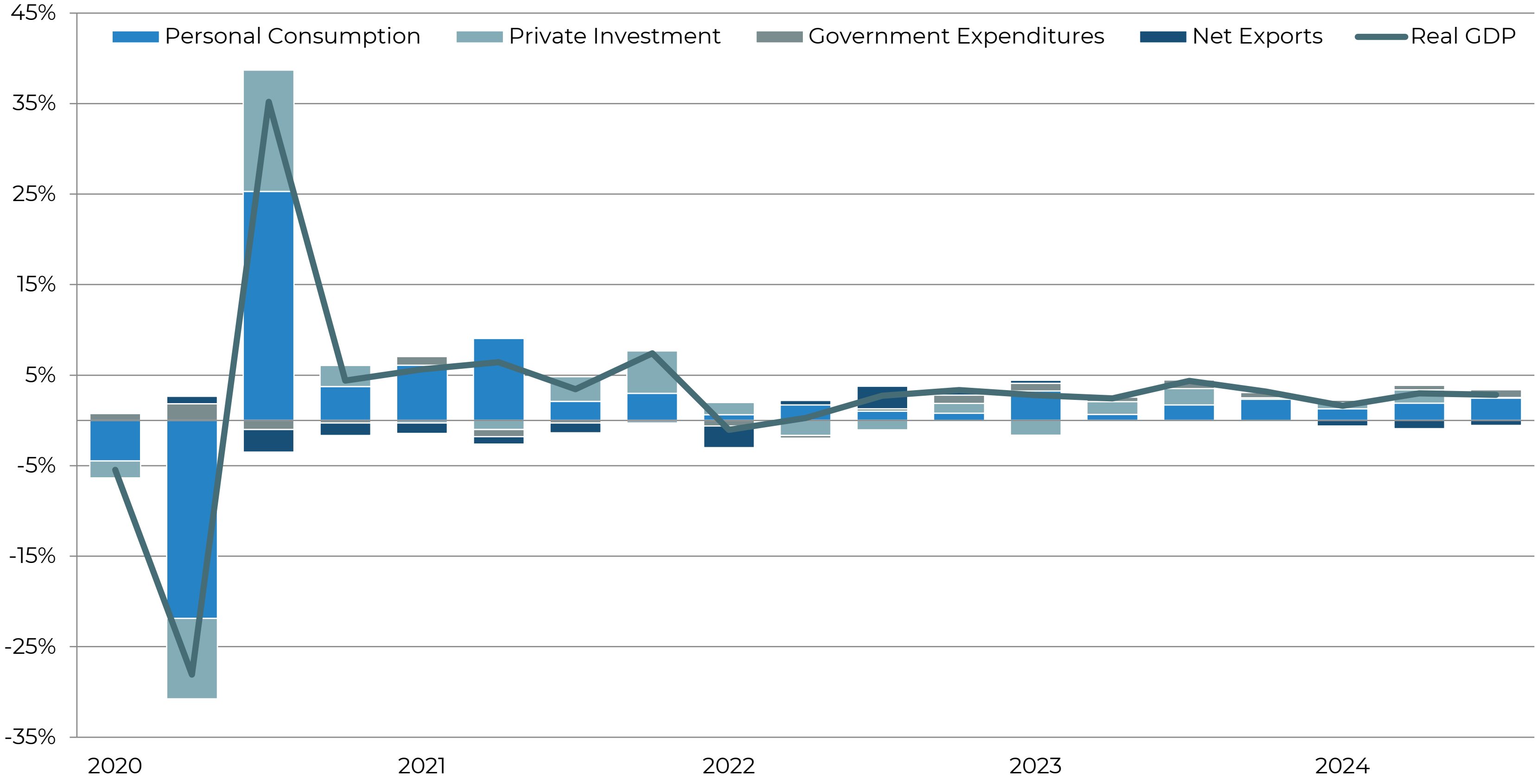
ECONOMIC PERSPECTIVE

According to the Commerce Department, gross domestic product increased at a 2.8% annualized rate last quarter. Economists were expecting a growth rate of 3%. The slight miss reflected a widening of the trade deficit as businesses boosted imports to satisfy robust demand, while inventory accumulation was pared back. The pace of expansion was well above what U.S. central bank officials regard as the non-inflationary growth rate of around 1.8%. The Commerce Department said it was impossible to estimate the impact of Hurricane Helene, which devastated large areas of the U.S. Southeast in September, noting that the destruction of fixed assets, such as residential and nonresidential structures, did not directly affect GDP or personal income. It, however, estimated that Helene resulted in losses of $39.0 billion in privately-owned fixed assets.

Economic Growth

Contributions to Percent Change in Real GDP (Annualized Q/Q % Change)

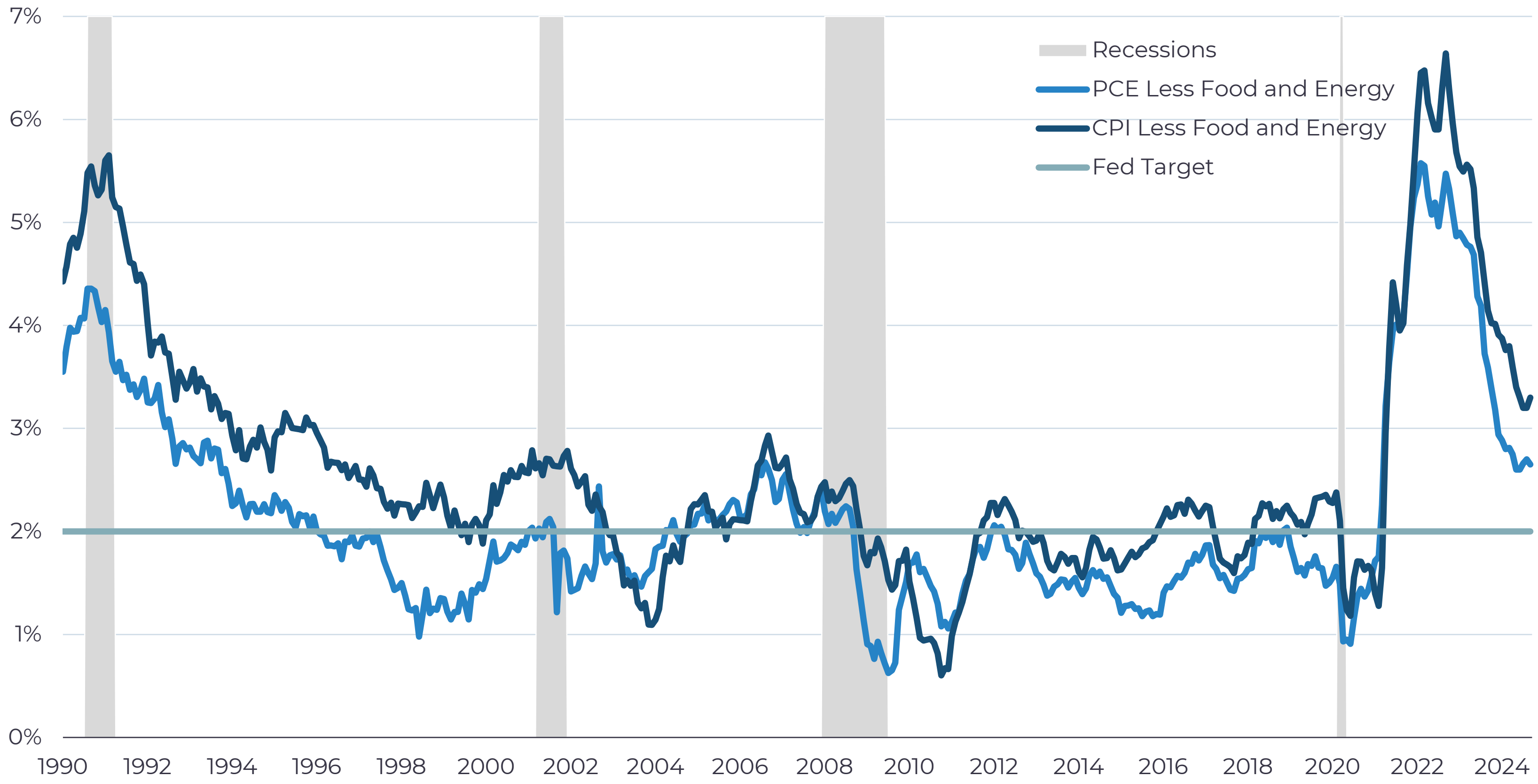


Source: U.S. Bureau of Economic Analysis (Reported quarterly)

The Commerce Department reported that prices rose 2.1% in September from a year earlier, down from a 2.3% rise in August. That is barely above the Fed's 2% inflation target and in line with readings in 2018, well before prices began surging after the pandemic recession. Yet some signs of inflation pressures remained. Excluding volatile food and energy costs, so-called core prices rose 2.7% in September from a year earlier for the third straight month. The increase in the core rate is higher than the Fed would prefer. Still, for the past six months, core inflation has declined to a 2.3% annual rate, down from 2.5% in August. Taken as a whole, the latest signs of a sustained cooling of inflation remain lost on an electorate which has soured on the economy, mostly because average prices remain nearly 20% higher than they were four years ago.

Inflation Outlook

Consumer Price Index (Core) and Personal Consumption Expenditures Price Index (Core) (Y/Y % Change)

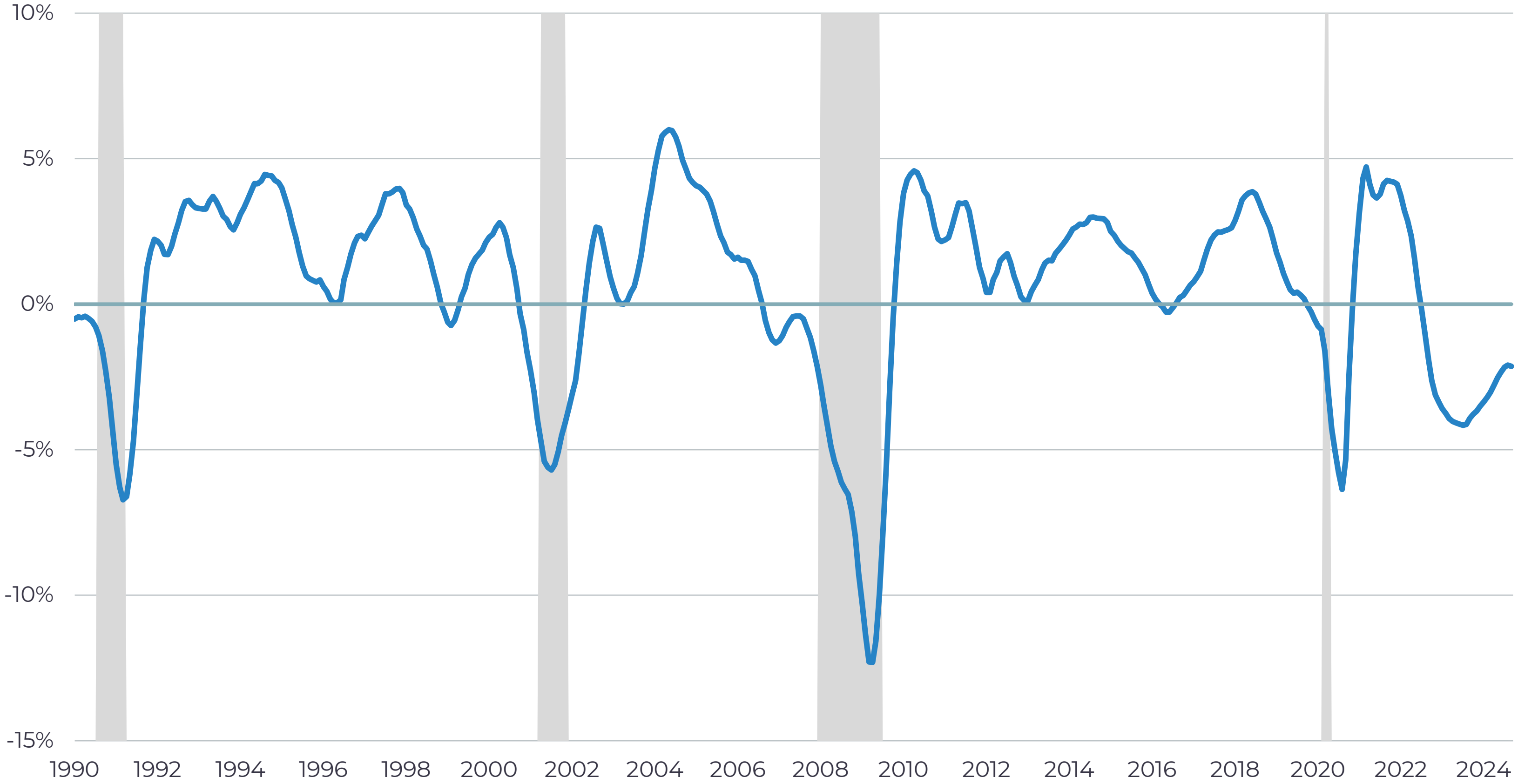


Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (Reported monthly)

According to The Conference Board, the U.S. LEI declined in September to 99.7. Over the six-month period between March and September 2024, the LEI fell by 2.6%, more than its 2.2% decline over the previous six-month period (September 2023 to March 2024). Weakness in factory new orders continued to be a major drag in September as the global manufacturing slump persists. Additionally, the yield curve remained inverted, building permits declined, and consumers' outlook for future business conditions was tepid. Gains among other LEI components were not significant enough to offset weakness among the four gauges mentioned above. Overall, the LEI continued to signal uncertainty for economic activity ahead and is consistent with The Conference Board expectation for moderate growth at the close of 2024 and into early 2025.

U.S. Economic Outlook

Leading Economic Index (Six-Month Moving Average of the Six-Month Rate of Change)

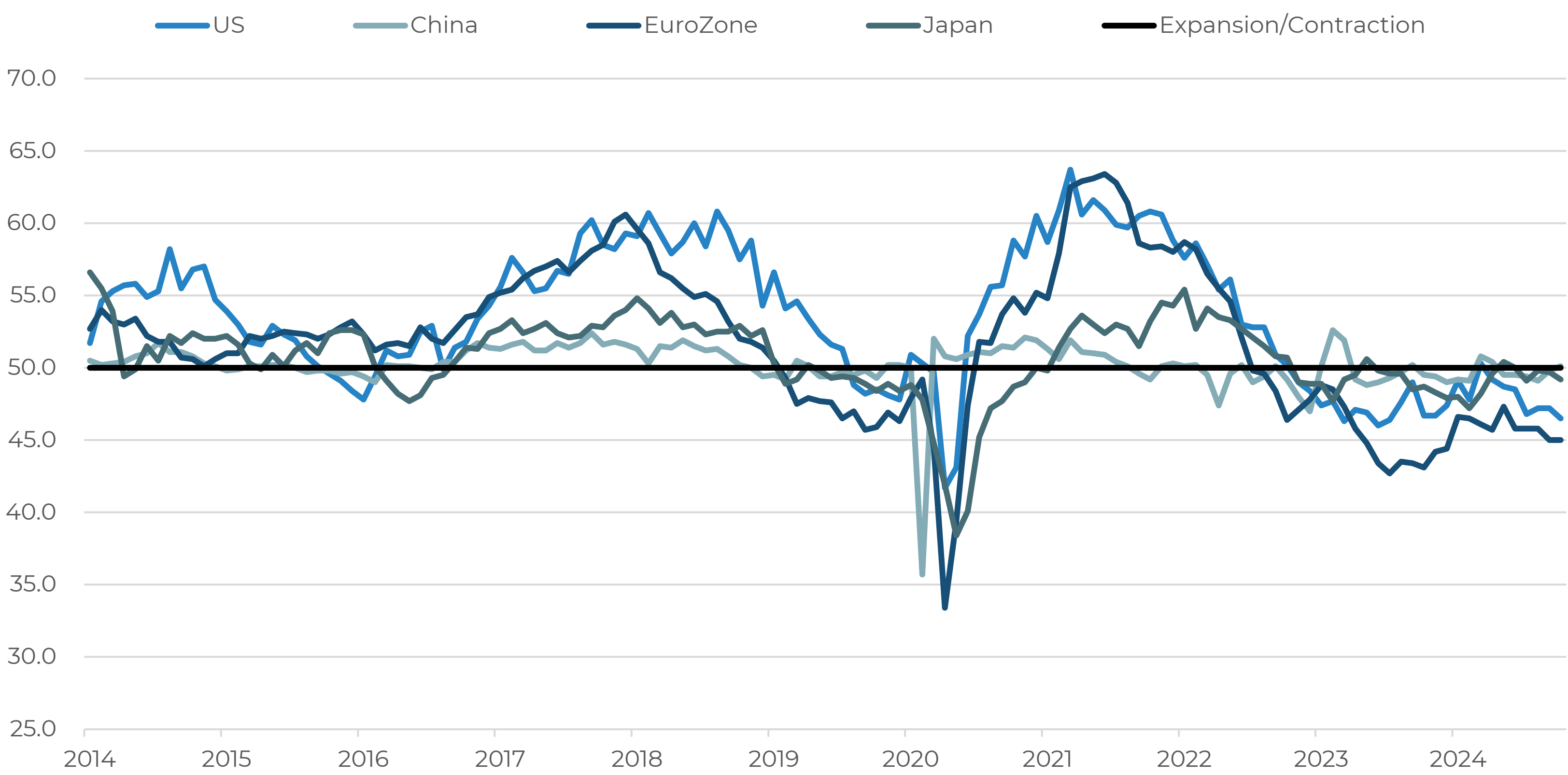


Source: Conference Board (Reported monthly)

The global manufacturing downturn continued in October. The J.P.Morgan Global Manufacturing PMI posted 49.4, up from 48.7 in September, to remain below the neutral 50.0 mark for the fourth month in a row. Three out of the five PMI components signaled contraction at the start of the final quarter – new orders, employment and stocks of purchases. Output broadly stabilized at September's level while stressed supply chains led to a further lengthening of supplier delivery times. The moderation reflected an improvement in operating conditions in China, while downturns in the U.S. and the euro area both eased. India, Spain and Brazil were at the top of the PMI growth rankings, whereas Austria, Germany and France were at the bottom.

Global Economic Outlook

Manufacturing Purchasing Managers Index (PMI) (A PMI over 50 represents growth in manufacturing)

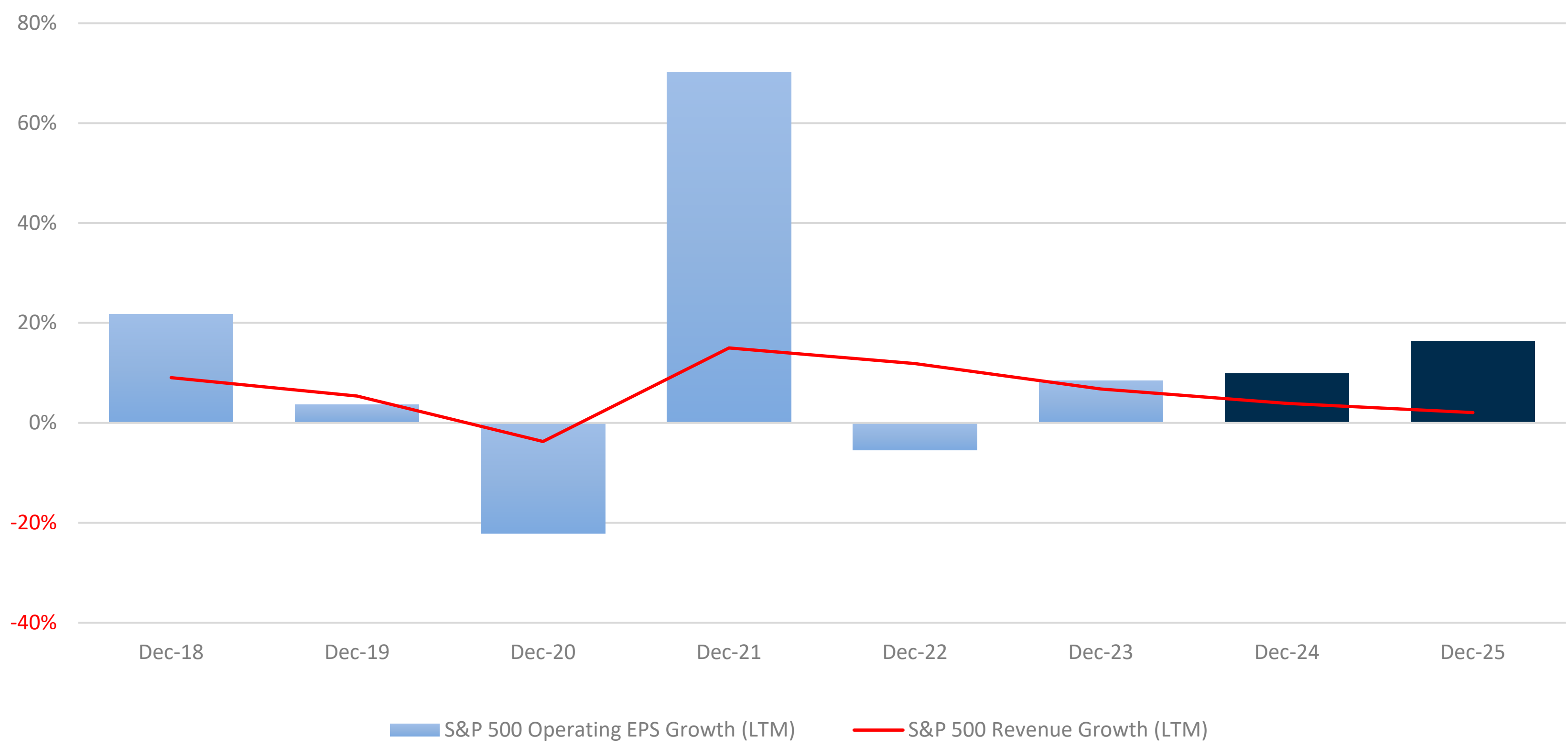


Source: ISM, Markit

According to FactSet, the bottom-up price target for the S&P 500 over the next 12 months is 6444, which is 7.9% above the closing price of 5973. At the sector level, the Health Care (+13.1%) and Utilities (+11.5%) sectors are expected to see the largest price increases. On the other hand, the Consumer Discretionary (+3.9%) sector is expected to see the smallest price increase. Overall, there are 12,026 ratings on stocks in the S&P 500. Of these 12,026 ratings, 53.6% are Buy ratings, 40.8% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Communication Services (63%), Energy (61%), and Information Technology (60%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

Corporate Profitability

S&P 500 Operating Earnings Per Share and Revenue Per Share Growth (Y/Y % Change)

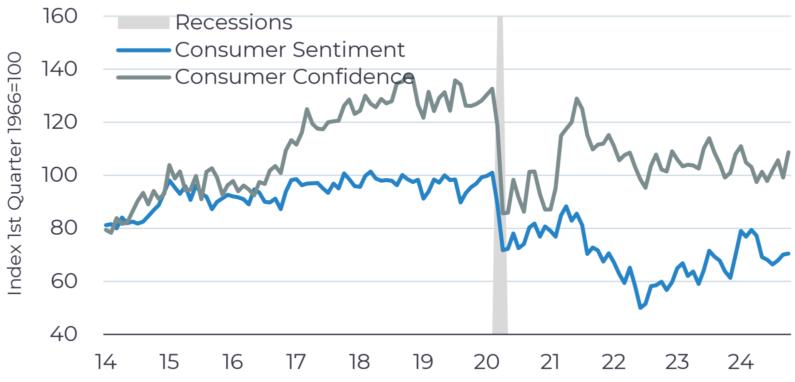


Source: S&P Dow Jones Indices (Reported monthly)

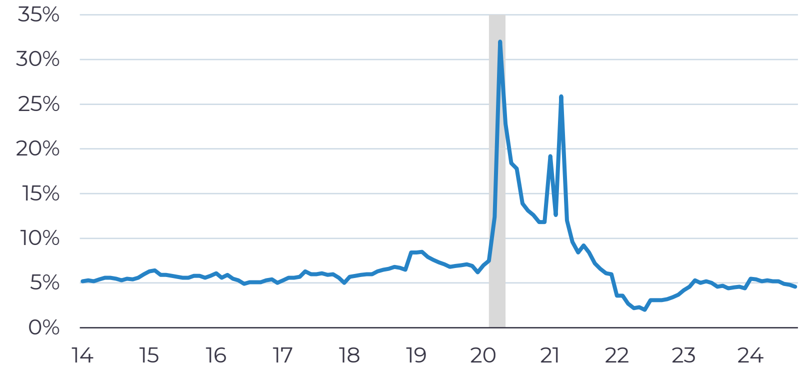
According to The Conference Board, consumer confidence recorded the strongest monthly gain since March 2021, but still did not break free of the narrow range that has prevailed over the past two years. In October's reading, all five components of the Index improved. Consumers' assessments of current business conditions turned positive. Views on the current availability of jobs rebounded after several months of weakness, potentially reflecting better labor market data. Compared to last month, consumers were substantially more optimistic about future business conditions and remained positive about future income. Also, for the first time since July 2023, they showed some cautious optimism about future job availability.

Consumer Outlook

Consumer Sentiment & Confidence Indexes



Personal Saving Rate (Seasonally Adjusted Annual Rate)



Disposable Personal Income (Y/Y % Change)

Personal Consumption Expenditures (Y/Y % Change)

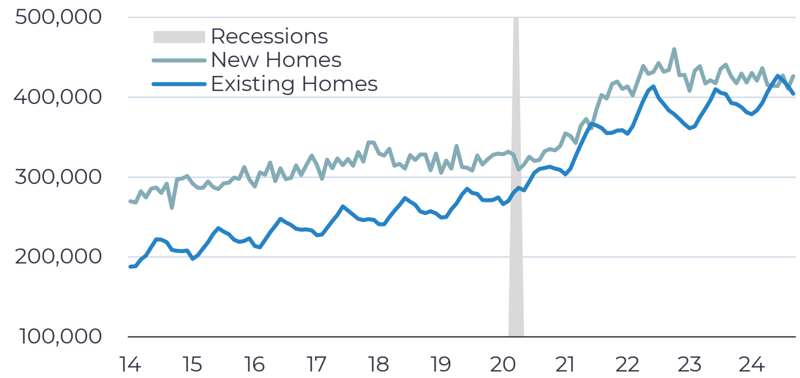
Source: Thomson Reuters/University of Michigan, Conference Board, U.S. Bureau of Economic Analysis (Reported monthly)

With home prices historically high, inventory still tight and the dust still settling on commission changes enacted late this summer, many prospective sellers and hopeful buyers are feeling nervous about this winter's housing market. The median sale price for an existing home in the U.S. was $404,500 in September 2024, according to the National Association of Realtors (NAR). And after briefly rising above 8% in October 2023, the average 30-year mortgage rate as of late this October was 6.9% — a welcome decrease but still much higher than most homeowners locked-in rates. Home prices, mortgage rates, inventory levels and commissions will all shape housing affordability through the remainder of this year.

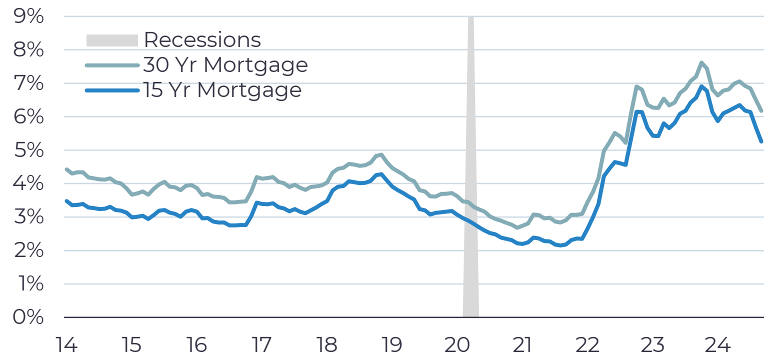
Housing Market Outlook

Housing Affordability (higher = more affordable)

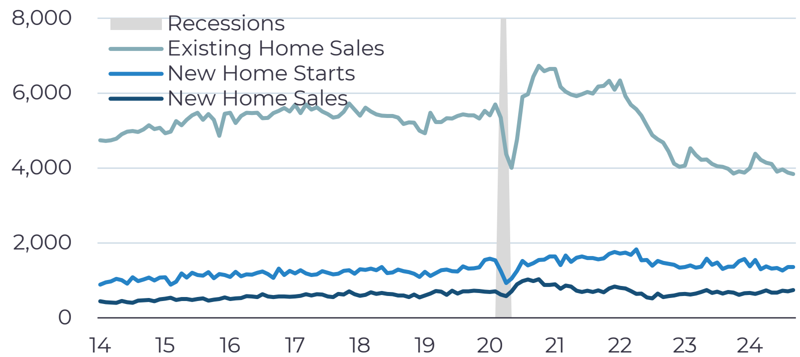
Median Selling Price of New and Existing Homes



Average Fixed Rate Mortgage in the U.S.©



Housing Starts, Existing Home Sales and New Home Sales (000's)

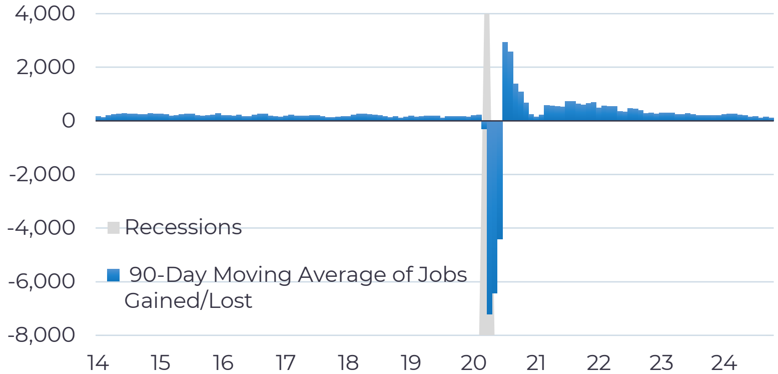


Source: National Association of Realtors, Freddie Mac, U.S. Bureau of the Census (Reported monthly)

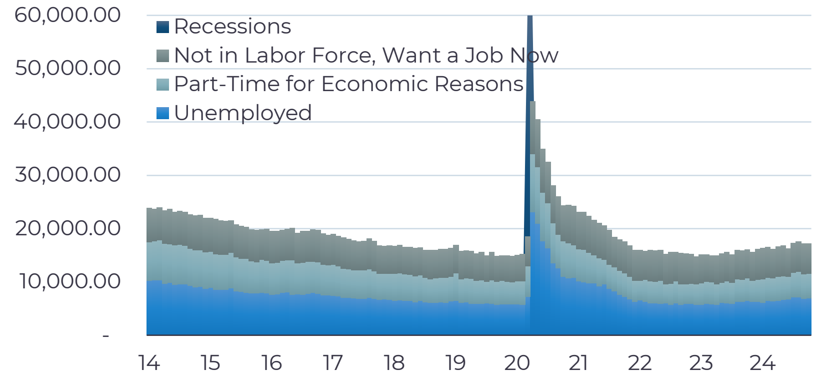
According to the U.S. Bureau of Labor Statistics (BLS), the U.S. labor market added far fewer jobs than expected in October as weather disruptions and worker strikes weighed on the labor market. Data from the BLS showed the labor market added 12,000 payrolls in October, less than the 100,000 expected by economists. Meanwhile, the unemployment rate held steady at 4.1%, partly due to a difference in how the BLS collects data for that metric versus monthly job additions. Workers who were employed but earned no money wouldn't be counted as unemployed in the household survey, which is where the unemployment rate comes from. They would not be considered employed in the payroll survey, which is how job additions are tabulated.

Labor Market Outlook

Jobs Gained/Lost (000's) with 12-Month Moving Average

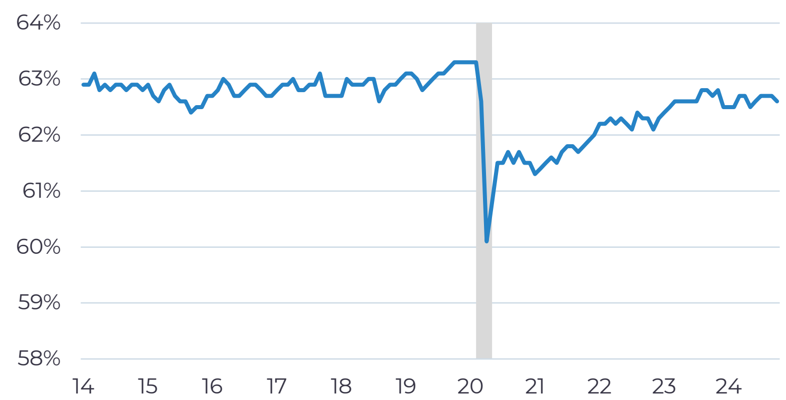


Labor Market Slack (000's)



Wage Growth (Y/Y % Change)

Labor Force Participation Rate



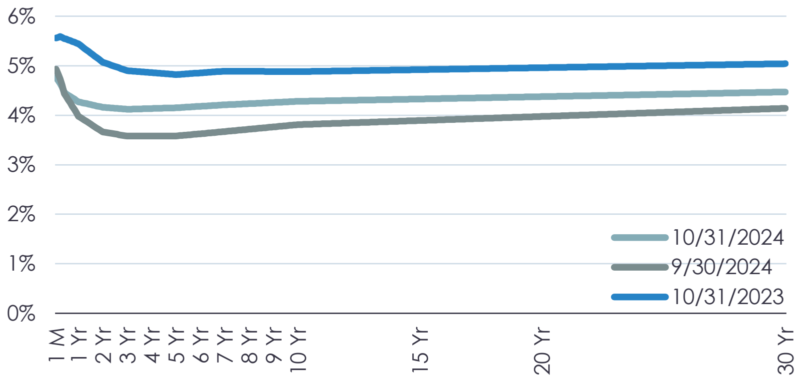
Source: U.S. Bureau of Labor Statistics, (Reported monthly, Wage Growth reported quarterly)

BOND MARKET PERSPECTIVE

The streak of positive months for bond investors ended in October, as rising interest rates hit bond prices. The 10-year Treasury rate rose from 3.81% at the end of September to 4.28% by the end of October. The Bloomberg Aggregate Bond Index lost 2.5% for the month. High-yield fixed income also had a challenging month. The Bloomberg US Corporate High Yield Index lost 0.5% in October. High-yield credit spreads compressed from 3.1% at the start of the month to 2.8% at month-end. Tighter credit spreads indicate increased investor appetite for high-yield investments. The rise in interest rates during the month were due in part to a pullback in trader expectations for interest rate cuts. We ended the month with traders pricing in one to two additional cuts by year-end, which contributed to the rise in rates that we saw in October.

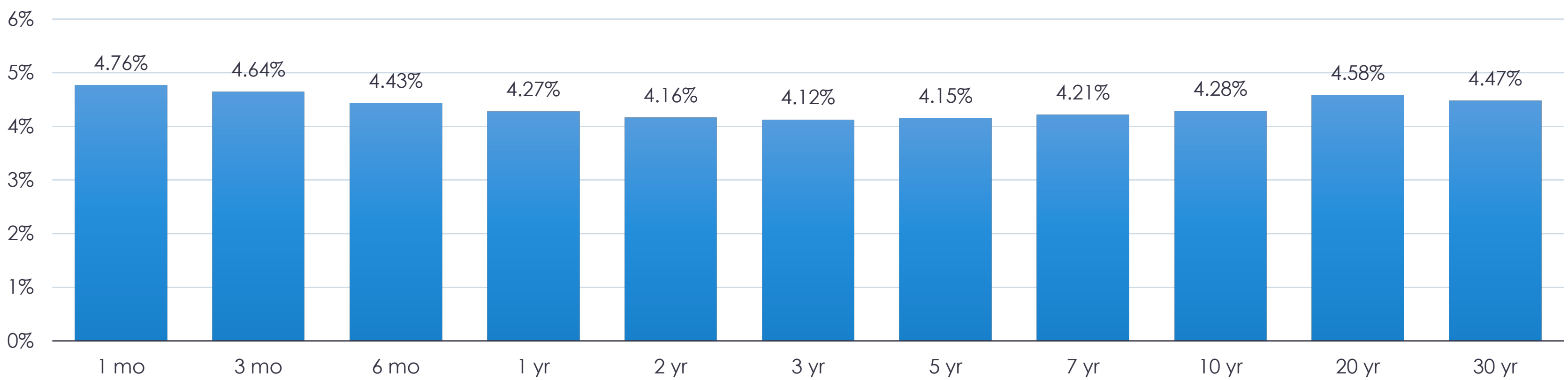
U.S. Treasury Market

U.S Treasury Yield Curve



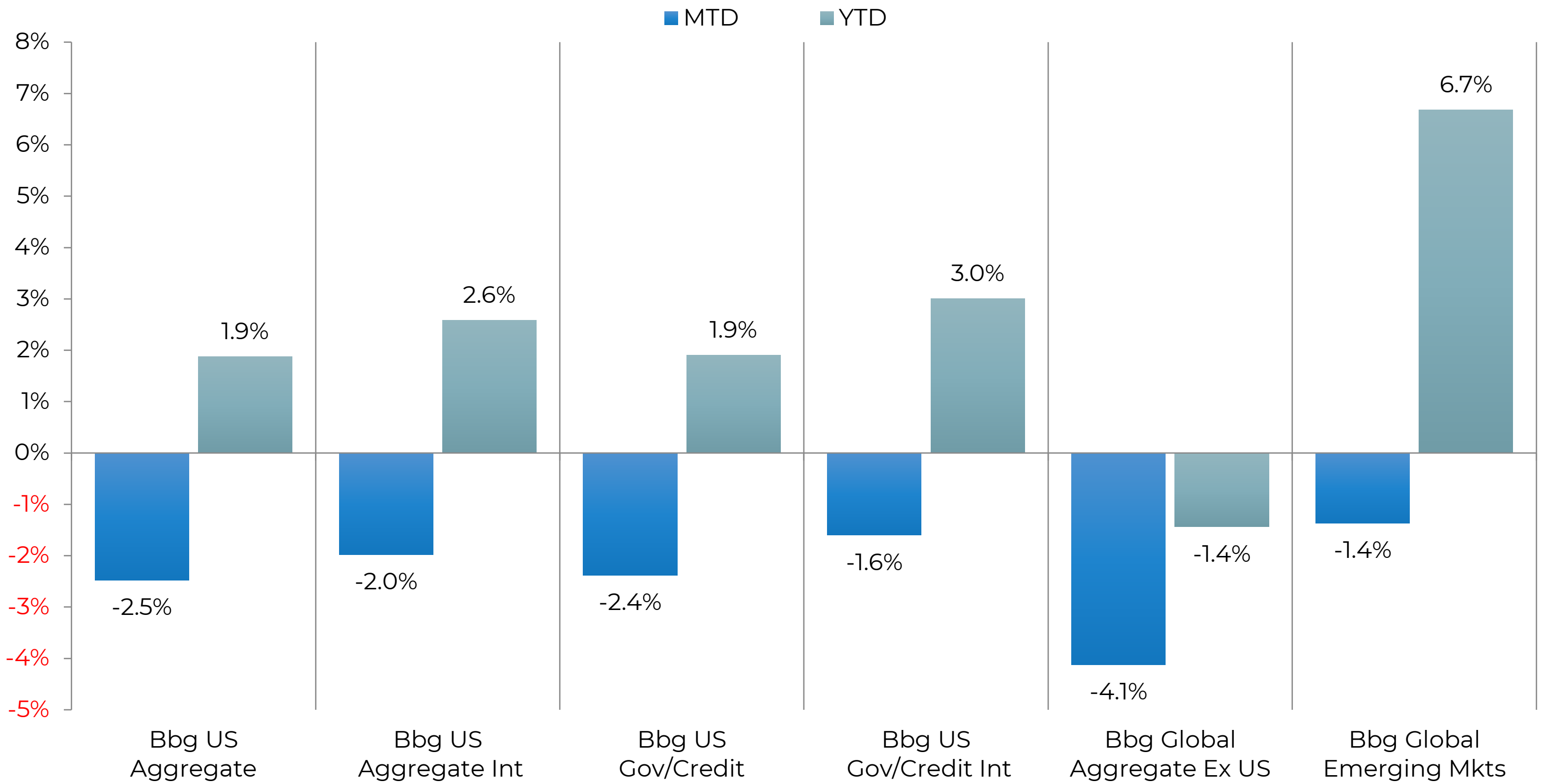
Historical U.S. 10-Year Treasury Rate

Current U.S. Treasury Yields by Maturity



Source: U.S. Department of Treasury

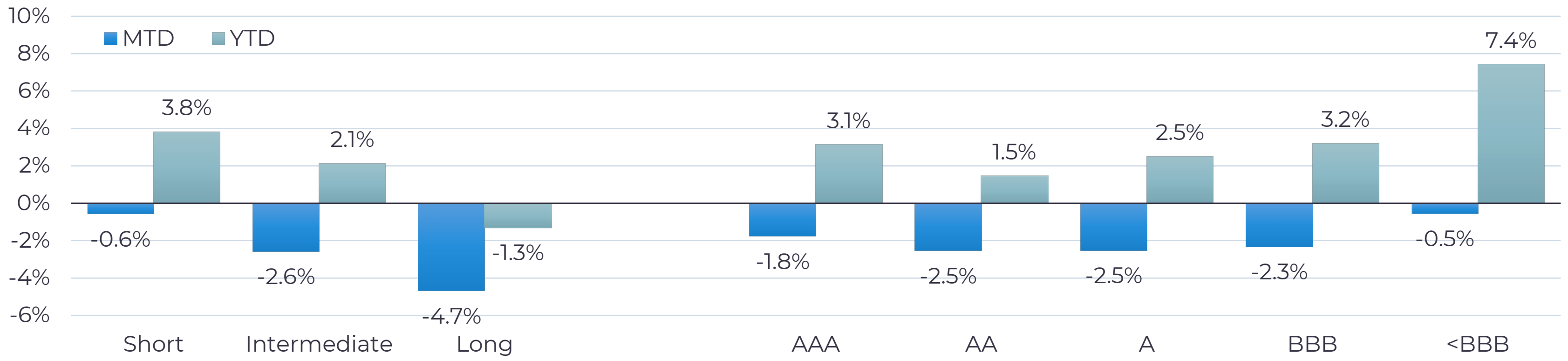
Global Fixed Income Returns by Bellwether Index



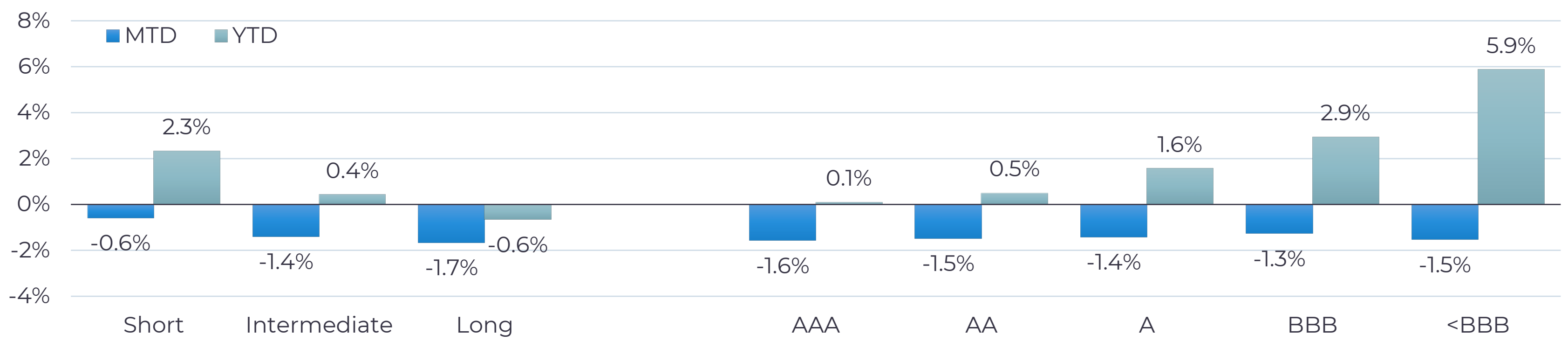
Source: Bloomberg Barclays (BB)

Domestic Fixed Income Returns by Maturity and Credit Quality

Domestic Bond Market - Taxable



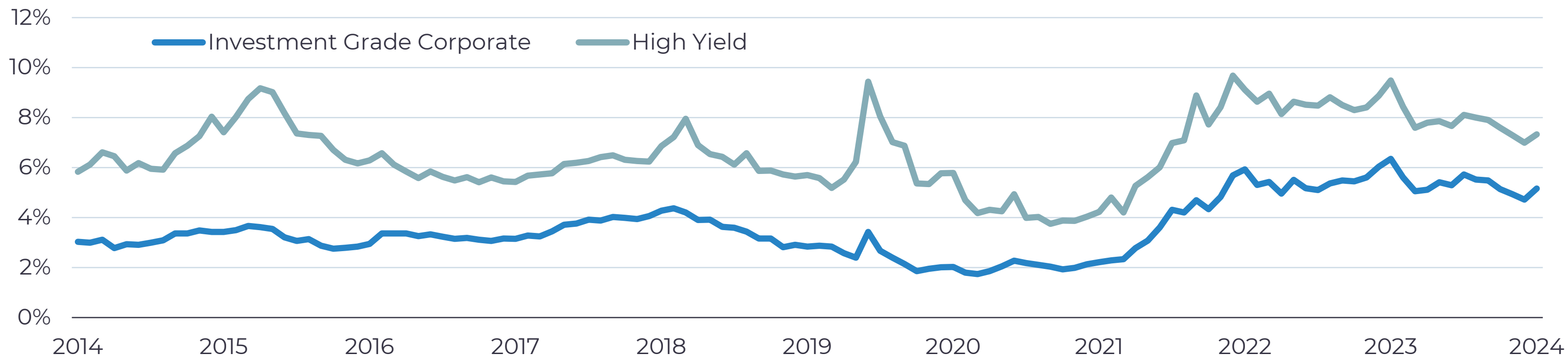
Domestic Bond Market - Municipal



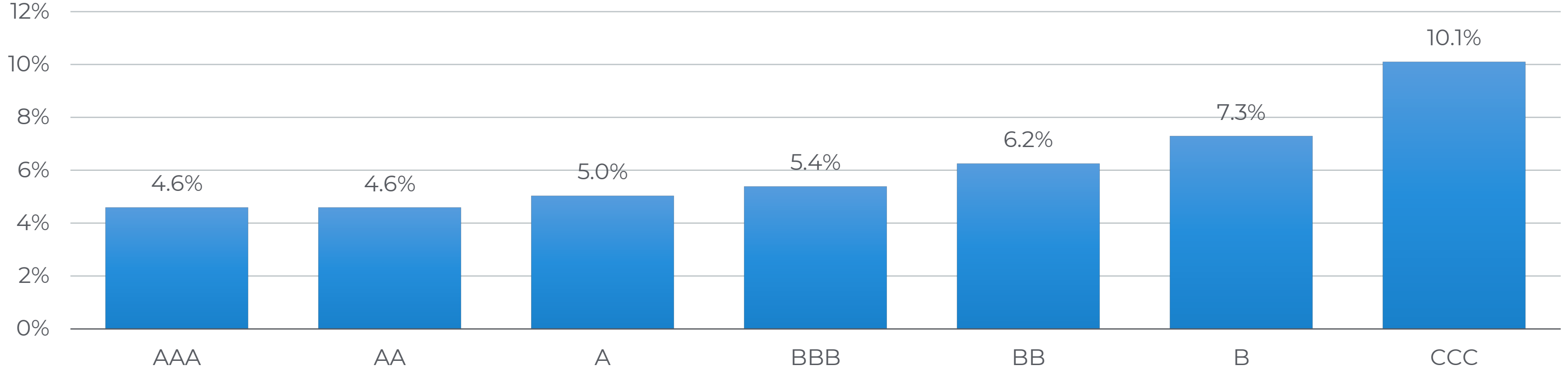
Short is defined as 1-3 years for taxable and 3 years for municipal, Intermediate is 5-7 years for taxable and 6-8 years for municipal, Long is 10+ years for taxable and 8-12 years for municipal. Source: Bloomberg Barclays Aggregate Bond Index (taxable bond market) and Bloomberg Barclays Municipal Index (municipal bond market).

Domestic Fixed Income Bond Yields

Historical Corporate Bond Market Yield to Worst



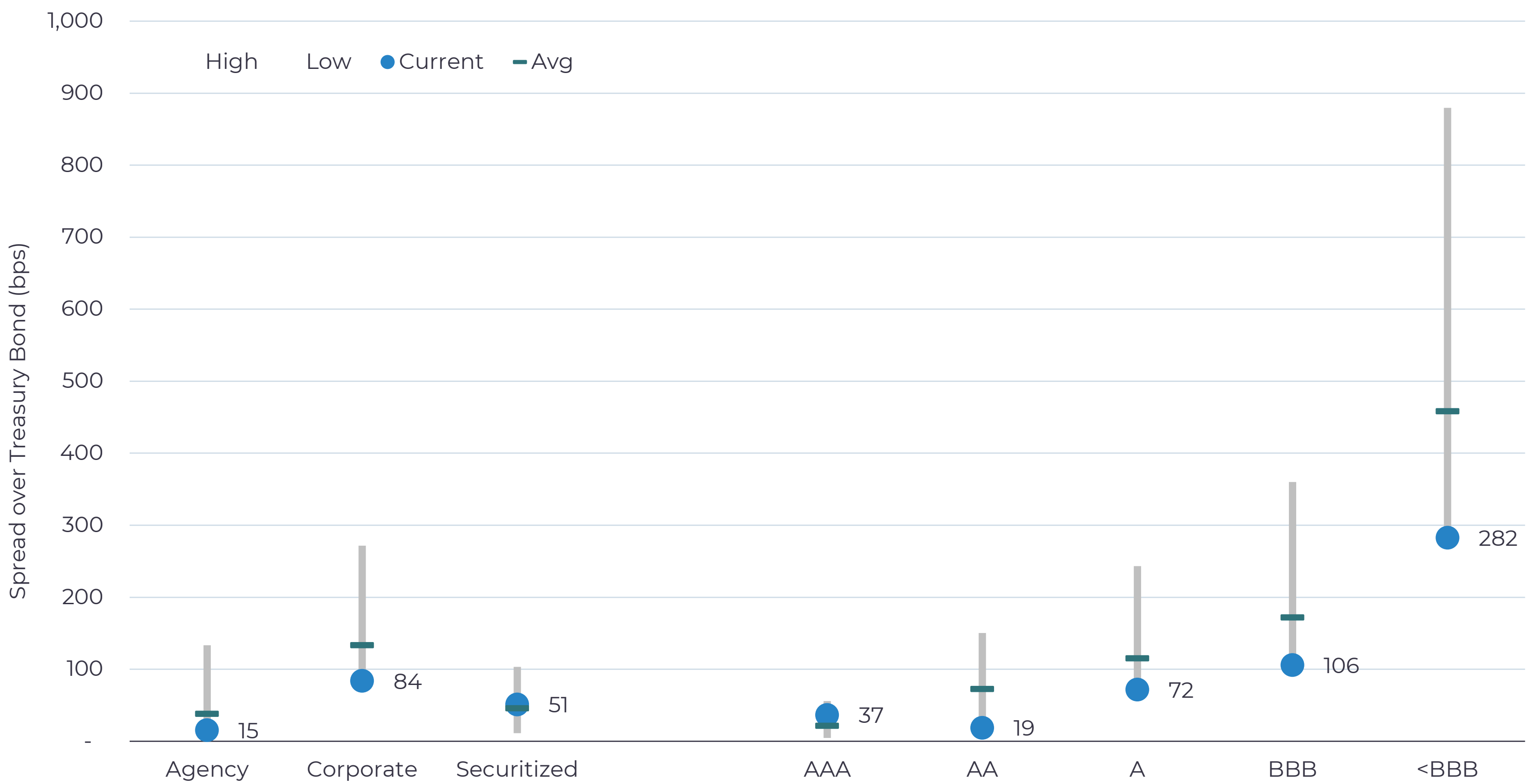
Current Corporate Bond Market Yields by Credit Quality



Investment Grade Corporate bonds are represented by the Bloomberg Barclays U.S. Corporate Investment Grade index. High Yield bonds are represented by the Bloomberg Barclays U.S. Corporate High Yield index. Source: Bloomberg Barclays

Domestic Fixed Income Bond Spreads

Current Bond Spreads Compared to 15-Year Range and 15-Year Average



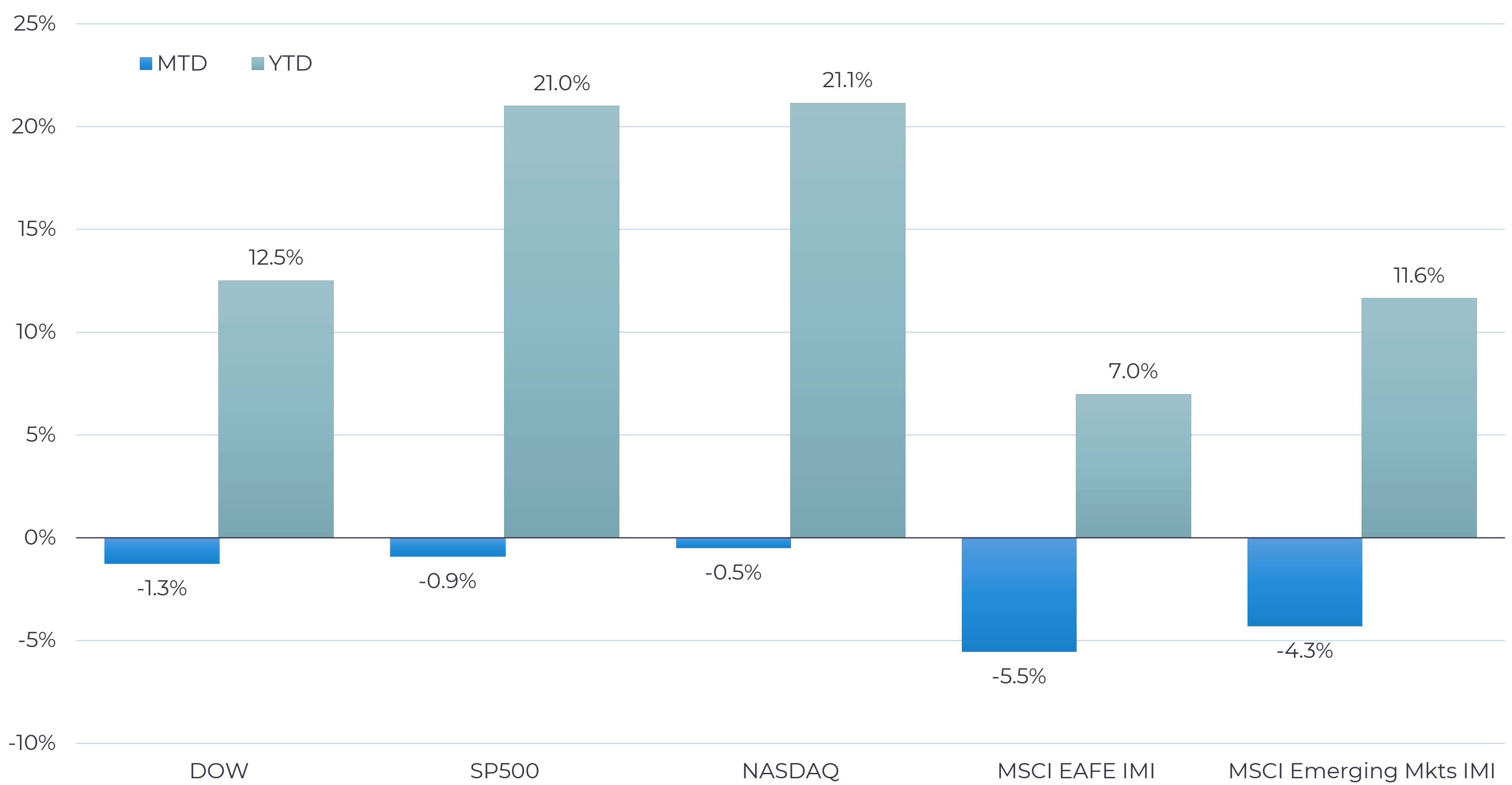
The length of each bar represents the Range of the highest and lowest spread to the Treasury benchmark over the past 15 years. Average represents the average spread over the past 15 years. Current represents the most recent month. Source: Bloomberg Barclays

EQUITY MARKET PERSPECTIVE

It was a disappointing month for stocks in October as a late-month sell-off caused all three major U.S. indices to end the month in the red. The S&P 500 lost 0.9% in October while the Nasdaq Composite dropped 0.5%. The Dow Jones Industrial Average lagged its peers and dropped 1.3% to start the fourth quarter. Concerns about future growth prospects for large technology companies served as a headwind for stocks during the month. Despite the poor results in October, we saw improving fundamentals to start earnings season. International stocks were hit even harder during the month. The MSCI EAFE Index fell 5.5% in October while the MSCI Emerging Markets Index dropped 4.3%. In general, mega caps underperformed, with concerns over valuation and the prospect that returns on massive AI spending might take more time than anticipated.

Global Equity Returns by Bellwether Index

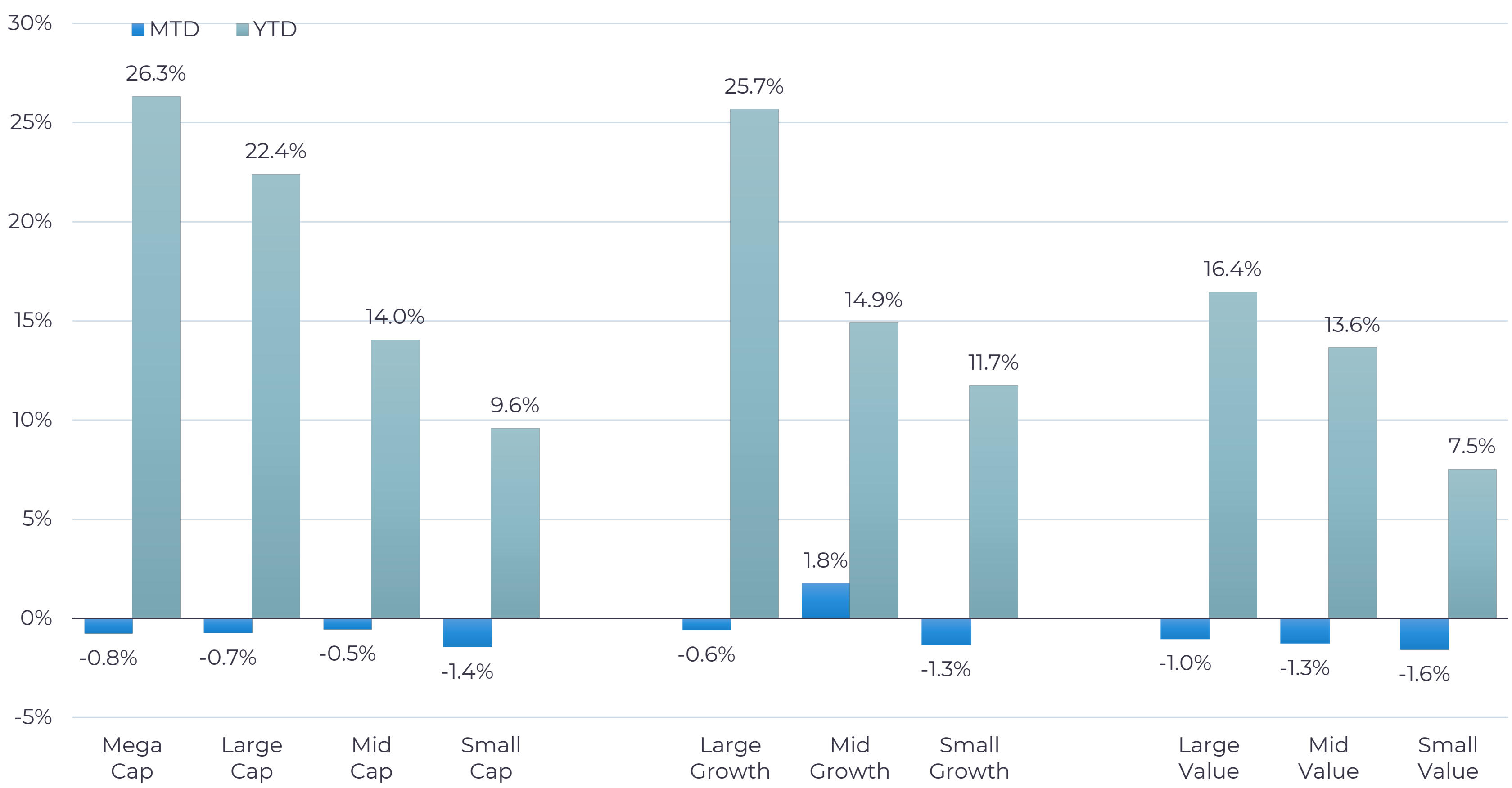
Global Equity Markets



Source: S&P Dow Jones, NASDAQ, MSCI

Domestic Equity Returns by Market Cap & Style

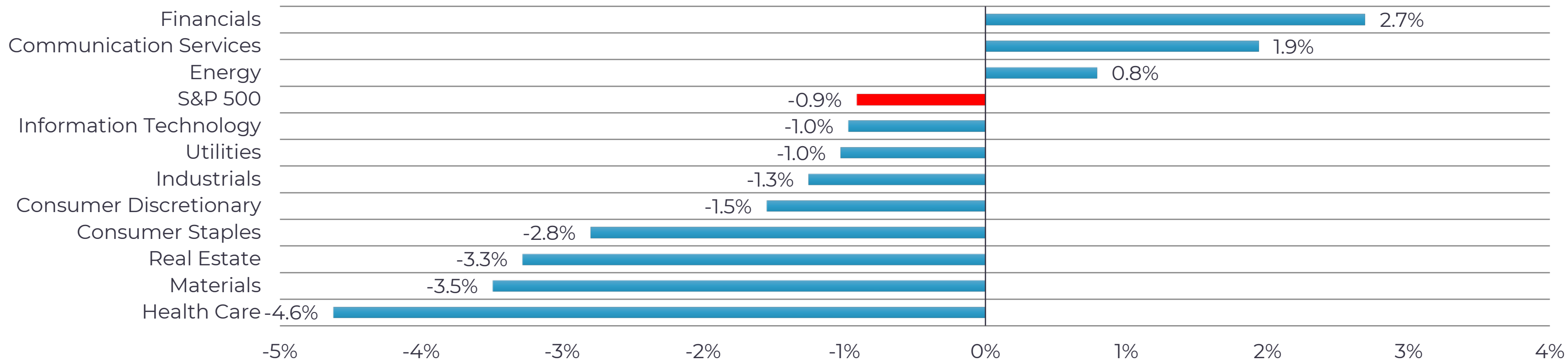
Domestic Equity Markets



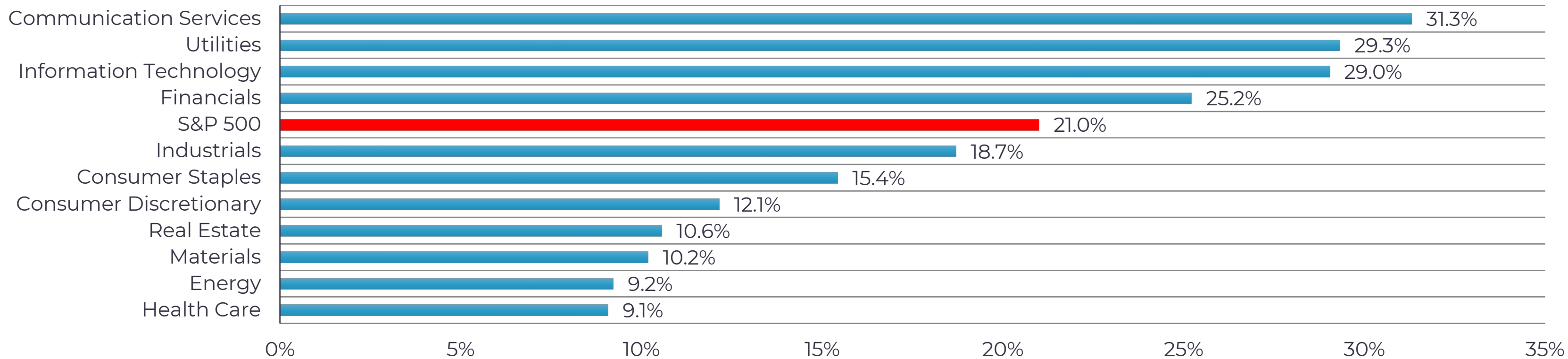
Asset classes are represented by the following benchmarks: Russell Top 50 (Mega), Russell Top 200 (Large), Russell Midcap (Mid), Russell 2000 (Small). Source: Russell

Domestic Equity Returns by Sector

MTD S&P 500 Returns by Sector



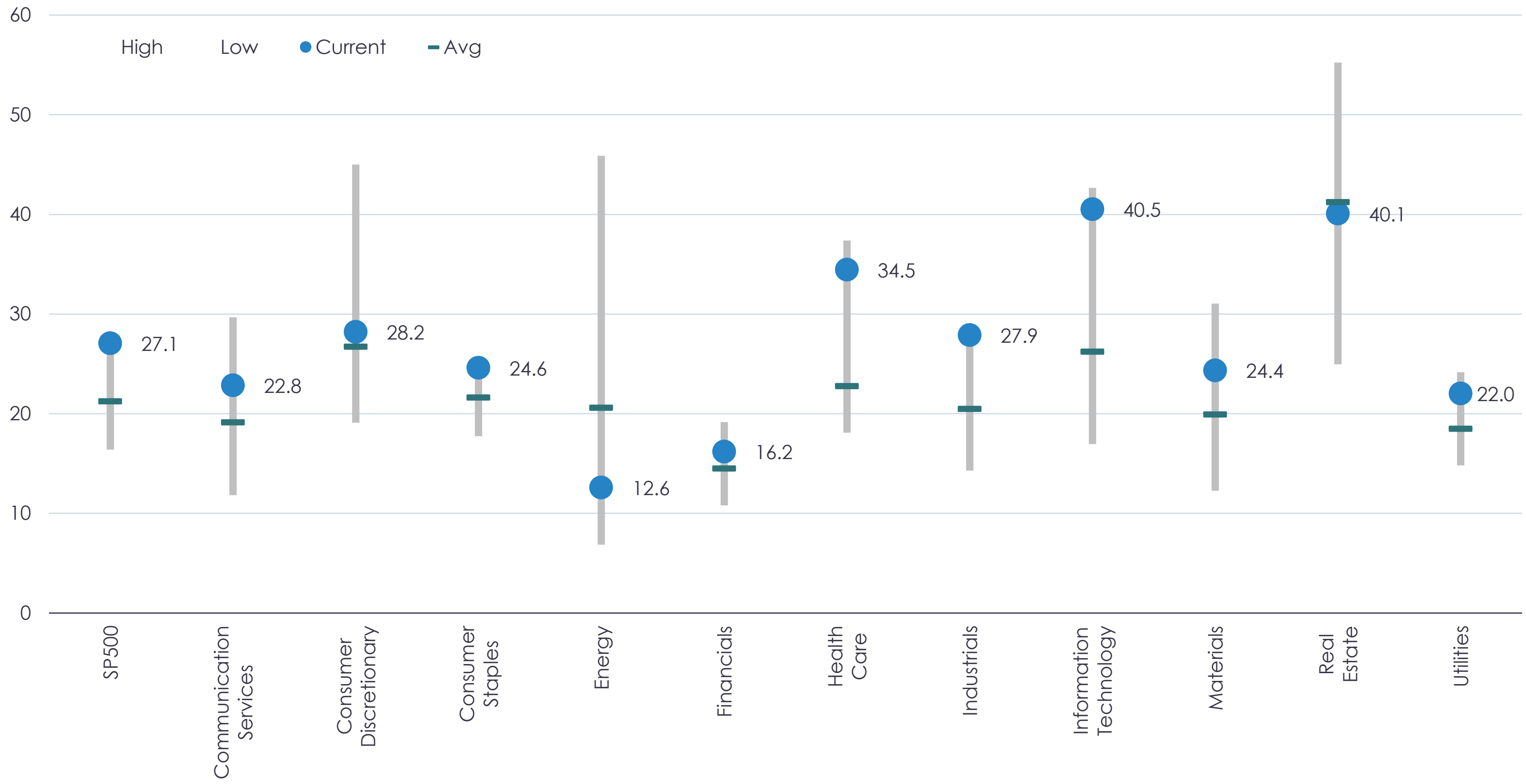
YTD S&P 500 Returns by Sector



Source: S&P Dow Jones

Domestic Equity Valuations by Sector

Trailing 12 Month P/E Ratio Compared to 10-Year Range and 10-Year Average



P/E ratios are based on trailing 12 months earnings (LTM) excluding negative earnings. The length of each bar represents the Range of the highest and lowest P/E ratio over the past 10 years. Average represents the average P/E ratio over the past 10 years. Current represents the most recent month. Source: Bloomberg

Economic Indicator Descriptions

- Real Gross Domestic Product (GDP): GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive GDP growth signals an expanding economy.
- Consumer Price Index (CPI): Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services.
- Personal Consumption Expenditure Chain-type Price Index (PCEPI): Measuring the change in the PCEPI provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.
- Conference Board Index of Leading Economic Indicators (LEI): The LEI is designed to signal peaks and troughs in the business cycle. The ten components include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.
- The Institute for Supply Management (ISM) PMI Index: The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.
- The Institute for Supply Management (ISM) Non-manufacturing Index (NMI): The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.
- Consumer Confidence Index (CCI): The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards the business climate, personal finances and spending. This index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.
- Consumer Sentiment Index (MCSI): The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy. The MSCI is becoming more useful for investors because it gives a monthly snapshot of whether consumers feel like spending money by accessing their views on the business climate, personal finance, and spending in order to judge their level of optimism/pessimism. This is important because consumer spending accounts for a large portion of U.S. GDP.
- Disposable Personal Income per Capita (DPI): DPI is the amount of money that households have available for spending and saving after income taxes have been accounted for. DPI is monitored to gauge the overall state of the economy.
- Personal Consumption Expenditures (PCE): PCE consists of the actual and imputed expenditures of households including durables, non-durables and services.
- Retail Sales: The retail sales report captures in-store sales as well as catalog and other out-of-store sales. The report also breaks down sales figures into groups such as food and beverages, clothing, and autos. The results are often presented two ways: with and without auto sales being counted, because their high sticker price can add extra volatility to the data.
- Housing Affordability Index (HAI): Published monthly by the National Association of Realtors, the HAI index has a value of 100 when the median-income family has sufficient income to purchase a median-priced existing home. A higher index number indicates that more households can afford to purchase a home.
- Unemployment Rate: Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.
- Wage Growth: Calculated quarterly by the Bureau of Labor Statistics, the employment cost index measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The index tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company. We are using the wage component of this index.

Benchmark Descriptions

- U.S. Aggregate Bond: The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS, ABS, and CMBS sectors. Securities included in the index must have at least one year until final maturity.
- U.S. Treasury: The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.
- U.S. Agency: The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade USD-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi- federal corporations, and corporate and foreign debt guaranteed by the U.S. government.
- U.S. Corporate: The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- U.S. MBS: The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- U.S. Municipal Bond: The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least one year until final maturity.
- General Obligation Bond Index: The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.
- Revenue Bond Index: The Barclays Revenue Bond Index measures the average market- weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.
- Investment Style: Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).
- Large Cap vs. Small Cap: Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.
- Value vs. Growth: Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.
- Mega Cap: The Russell Top 50 Index measures the performance of the top 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the Russell 1000 index.
- Large Cap: The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the Russell 1000 index.
- Mid Cap: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.
- Small Cap: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- Large Cap Growth: The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.
- Large Cap Value: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- Mid Cap Growth: The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
- Mid Cap Value: The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.
- Small Cap Growth: The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.
- Small Cap Value: The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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