



Weekly Focus – Think About It

“The single biggest problem in communication is the illusion that it has taken place.”

—George Bernard Shaw, Nobel Prize-winning playwright

THE MARKETS

FINANCIAL MARKETS APPEAR TO HAVE PRE-ELECTION JITTERS

The United States election is less than two weeks away. The candidates are neck and neck. The outcome remains uncertain. And expectations for volatility have been rising, with the CBOE Volatility Index (VIX) finishing last week at 20.33.

“When the VIX goes north of 20, Wall Street pays attention because that level signals heightened volatility,” reported Connor Smith of *Barron’s*.

One reason for heightened volatility may be concerns about the election. Ian Salisbury of *Barron’s* explained, “There are plenty of theories about how particular stocks will fare, depending on next month’s outcome. It isn’t hard to see why. The candidates have tried to curry favor with voters by championing or attacking favored industries, and sometimes individual companies. Vice President Harris has promised to raise the corporate tax rate, a move that could cut into corporate earnings, and Democrats are widely seen as tougher on antitrust issues, a potential hurdle for Wall Street banks looking to capitalize on pent-up [merger and acquisition] activity. Trump, meanwhile, has threatened hefty new tariffs, which could help U.S. manufacturers but hurt multinationals. He’s even threatened individual companies like John Deere over plans to move manufacturing facilities abroad. The good news? Investors can mostly shrug the campaign rhetoric off and focus on stocks’ fundamentals.”

So far, third-quarter earnings reports have been strong. Regardless, stock market investors became significantly less bullish last week, according to the AAI Investor Sentiment Survey. The survey asked investors whether they think the stock market will move higher (bullish) or lower (bearish) over the next six months.

- Bullish sentiment declined from 45.5 percent the week of October 16 to 37.7 percent last week. (The historic average for bullishness is 37.5 percent.)
- Bearish sentiment increased from 25.4 percent to 29.9 percent. (The historic average for bearishness is 31 percent).
- Neutral sentiment also increased from 29.2 percent to 32.4 percent. (The historic average is 31.5 percent.)

Bond investors also have been adjusting their expectations. Since mid-October, the yield on the benchmark 10-year U.S. Treasury note has trended higher. At the start of the month, the 10-year note yielded 3.74 percent. Last week, its yield rose from 4.07 percent to 4.23 percent.

“The rise is likely a reflection of the fact the Federal Reserve will cut interest rates fewer times than investors had thought after September’s Federal Open Market Committee meeting, a result of inflation being above its target and a job market that has grown faster than expected. Also, Donald Trump’s chances of winning the presidential election have risen in the past few months, according to RealClearPolitics. His policies include fiscal spending and tariffs, both of which create inflation and throw cold water on the idea that the Fed will cut rates many times. While the economy could continue to grow, tariffs, for their part, not only lift prices, they destroy demand,” reported Jacob Sonenshine of Barron’s.

Ben Levisohn of Barron’s offered some advice to anyone getting swept up in pre-election jitters. “The truth of the matter is that reading the financial market tea leaves is far from straightforward...In fact, investing with your politics is one of the worst ways to lose money—or miss out on gains.” If you have concerns about market volatility or the possible effect of the election on your portfolio, get in touch. We’re happy to talk with you about your concerns and your portfolio.

Last week, the S&P 500 Index and Dow Jones Industrial Average moved lower, while the Nasdaq notched a seventh week of gains. Yields on longer maturities of U.S. Treasuries moved higher over the week.

Data as of 10-25-24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.0%	21.8%	38.7%	8.4%	14.0%	11.5%
Dow Jones Global ex-U.S.	-2.0	7.4	21.7	-1.2	3.7	2.8
10-year Treasury Note (Yield Only)	4.2	N/A	5.0	1.6	1.8	2.3
Gold (per ounce)	0.7	31.4	37.7	14.8	12.5	8.3
Bloomberg Commodity Index	2.0	1.6	-4.6	-1.8	4.8	-1.5

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

DO YOU TALK ABOUT MONEY?

A lot of important events and holidays are coming up in November. There's Election Day, National Calzone Day, No-Shave November, the International Day for Tolerance and Talk Money Day.

That's right! On November 8, everyone is encouraged to put their fears aside and begin talking with other people—spouses, partners, roommates, friends, adult children, and younger children—about money. It's not going to be easy—money talk is tough for many people. Sixty-two percent of Americans who participated in a 2023 survey said they did not talk about money. Those who did have financial conversations generally conversed with a spouse or partner, reported Kamaron McNair of CNBC.

There are many reasons people avoid financial conversations. They may:

- Believe it is impolite to talk about money.
- Worry that discussions will be awkward.
- Fear being judged for their choices.
- Think their money is no one else's business.

The issue is less prevalent among younger people than it is among older people, according to CNBC. "...56 [percent] of millennials and 49 [percent] of Gen Zers say they're having financial conversations on the regular, compared with just 38 [percent] of Gen Xers and 22 [percent] of baby boomers...Talking about money can help young people increase their financial literacy as they learn from and teach their friends. But it's equally important for younger people to bring up financial topics with their elders—or at least their more experienced peers—especially when it comes to making big decisions," reported McNair.

While breaking down the money-talk barrier may be challenging, the rewards can be significant. Financial discussions can improve decision-making, strengthen relationships, and help children develop sound money habits. Our goal is to help the people we serve make financial decisions that help them live the lives they want to lead. If talking about money is a difficult hurdle, get in touch. We can help facilitate these important discussions.

Best regards,

Andrew Zittell
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Sources:

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- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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