

THE MARKET MEMO



DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

September is typically the weakest month of the year for stocks, but thanks to the much-anticipated federal funds rate cut, the S&P 500 turned in its first positive performance in a September since 2019, achieving its 43rd record high of the year.

“The Federal Reserve [Fed] is recalibrating policy, and we are likely to see a series of rate cuts over the coming months as it gets closer to neutral, which is ultimately market friendly,” Raymond James Chief Investment Officer Larry Adam said.

The Fed took an unusual – but not entirely unexpected – step, cutting interest rates by 50 basis points (bps), rather than the usual 25, and is on track to successfully navigate a “soft landing” for the economy for the first time since 1995. The economy is showing resilience, the labor market remains stable, and inflation appears to be on a better path.

With the interest rate cut and the 10-year Treasury yield coming down to 3.7% in September, investors began to feel more comfortable about companies that are more reliant on external funding. The Utility sector, which is famously rate sensitive, set an all-time high last month, surpassing the previous high from 2022. Utilities and independent power producers are also benefiting from the sentiment surrounding the AI boom given that the data center buildout is starting to provide a meaningful boost to electricity demand.

While large companies continued to gain in value this month, small- and mid-size companies saw the strongest returns, underscoring the importance of maintaining in a diversified portfolio. The Technology sector is still settling following its outsized performance earlier in the year, while interest rate-sensitive Utilities and Real Estate sectors are enjoying their time in the limelight. Two out-of-favor areas have perked up in the last week – Consumer Discretionary, thanks to the Fed’s rate cut, and Materials because of China’s strength due to policy measures intended to perk up the nation’s rocky position.

While it’s good to see the broadening of the market and the lowering of interest rates excites investors, plenty of variables could spark volatility in the weeks and months ahead, including the health of the economy, employment, and Fed messaging.

We will remain committed to the pursuit of your financial goals and thank you for your continued trust in our guidance. If you have any questions about this report, or if I can help with anything at all, please don’t hesitate to reach out.

Look forward to speaking soon!

Sincerely,

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