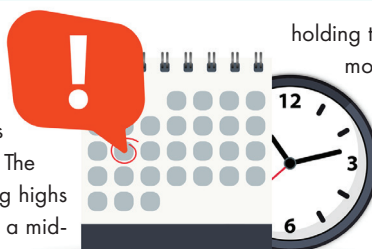




Benchmark Returns as of September 30, 2024

	For the Month	Year-to-Date		For the Month	Year-to-Date
S&P 500	2.14%	22.08%	Developed International	0.92%	12.99%
Dow Jones Industrial Average	1.96%	13.93%	Emerging Markets	6.68%	16.86%
Nasdaq	2.76%	21.84%	Bloomberg Aggregate Bond Index	1.34%	4.45%

It seemed that September would meet investors' low expectations when the S&P 500 fell 4.25% in the first week of trading. The losses were reversed as the month went on, with the benchmark making five new closing highs including its closing level of 5,762.48 on September 30th. The Dow Jones Industrial Average notched seven new closing highs and ended the month at a record 42,330.15. Helped by a mid-month tech rally, the Nasdaq gained 2.76% for the month but is still below the index's record high set in mid-July. The bulls were running on optimism that the Federal Reserve will achieve the rare soft landing for the economy, and the initiation of an easing cycle for interest rates.



"Everyone talks about how bad September usually is – how did that work out this month?"

– Barron's Magazine, September 28, 2024

As the chart above illustrates, Emerging Markets made an outsized move this month, attributed to several measures taken by the People's Bank of China and a massive (as much as \$284 billion) stimulus package announced by the Chinese government. Investors will be monitoring the durability of this rally.

Economic data supporting a soft landing for the U.S. economy included:

- Confirmation of a 3% annual growth rate with the final release of 2Q GDP. As the third quarter ended, estimates range from +1.6% (Argus Research) to +2.5% (Atlanta Fed GDP Now) for the first 3Q estimate to be released October 30th.
- Weekly jobless claims were benign, with the four-week moving average for initial claims down 750 to 224,500. Ongoing claims are hovering around 1.825 million.
- In widely followed inflation measures, topline CPI for August was +2.5% year-over-year, with stickiness noted in Transportation Services and Shelter. The headline PCE index reading was up 2.2% from one year ago. While moving lower, both remain above the Fed's 2.0% target.

Fed Chair Jerome Powell's pronouncement on August 23rd that it is "time for a policy change" was borne out at the close of the September FOMC meeting on September 18th. After initiating this hiking cycle in March 2022 and

holding the fed funds rate at 5.25% to 5.50% for the last fourteen months, the rate-setting committee lowered the benchmark rate by 0.50%, to a range of 4.75% to 5.0%. Further, the Summary of Economic Projections (SEPs, or "dot plots") updated at this meeting show a consensus for the fed funds rate to decline another 0.50% by year-end. The final 2024 FOMC meetings are November 6-7 and December 17-18. Markets will be handicapping the outcome of these meetings as they approach. Other SEPs showed a slowing of economic growth, a higher unemployment rate, and lower inflation.

Among the many stories coming out of Washington, DC ahead of the November elections, it is notable that a potential government shutdown was avoided when both houses of Congress passed a continuing resolution to fund the government until December 20th. It was signed by President Biden on September 27th.

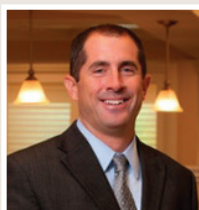
This September may well be remembered for marking the inflection point in short term interest rates, and market returns that went against historical norms. What does the data say as we enter the final quarter of 2024? According to S&P 500 performance data from 1980-2022, our colleagues at Argus Research conclude that the fourth quarter "has generated average gains of 4.8%" with positive returns in the quarter four years out of five. Argus forecasts a level of 6,000 for the S&P 500 by year-end 2024.

Achieving that level will not be without headwinds. We are watching developments that might alter the narrative of solid economic growth, a healthy labor market and declining inflation:

- Geopolitical tensions, particularly in the Middle East, with repercussions for higher energy prices feeding a return to higher inflation.
- Impact of the recovery efforts necessary after the devastation from Hurricane Helene. Past disasters initially resulted in lost economic output, but added to growth as rebuilding began. Clearly, the human suffering from this historic storm cannot be quantified.

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