Market Update

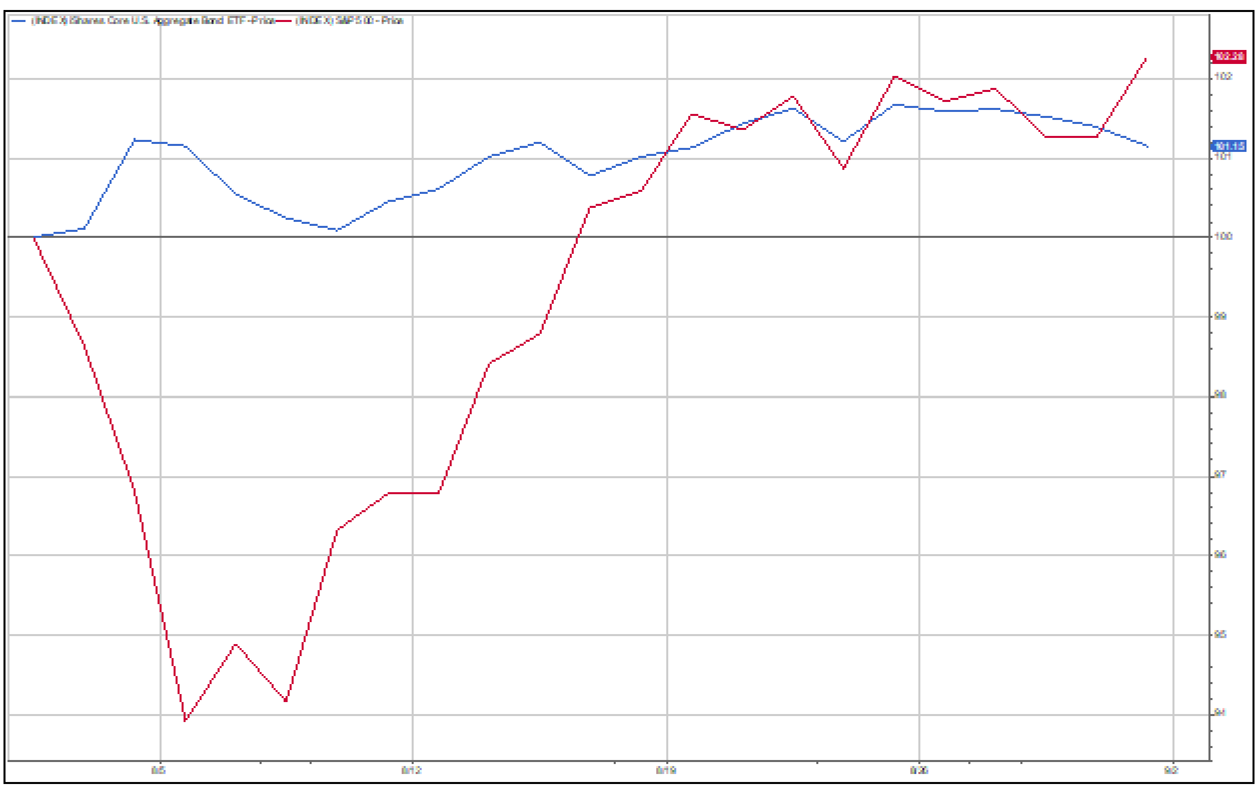
SEPTEMBER 2024

Seacoast WEALTH MANAGEMENT

"In Like a Lion, Out Like a Lamb?"

Index	Aug. 2024*	YTD 2024*
S&P 500	2.4%	19.5%
Russell 2000	(1.5%)	10.4%
Bloomberg AGG Bond	1.5%	3.2%
MSCI World, Ex-US	0.6%	13.0%

While the quotation above is most often used to describe March weather in the northern hemisphere, it also describes well the financial market's action during August 2024. The S&P 500 declined more than 6% in the first four trading days of the month, only to rally hard off the bottom to finish up 2.4%. Not to be outdone, the US bond market also gyrated much more than normal in early August, only to post greater than 1% returns for the full month.



Source: FACTSET DATA

Notably, market breadth improved in August with the equal-weight S&P 500 outpacing the cap weighted index quoted above. Defensive sectors performed best, led by consumer staples, REITs, healthcare, and utilities, while energy was the worst performing sector on weaker demand signals and easing of supply concerns. We would attribute much of August's financial markets churn to severely overbought conditions within the technology and communications services sectors and a building narrative of faster and deeper interest rate cuts following Fed Chairman Powell's Jackson Hole comments. The Seacoast large cap core equity strategy holdings are performing slightly better than the S&P 500 year-to-date.*

The current scorecard for the US economy is decidedly mixed entering the seasonally weak month of September, with a major election looming. Corporate earnings are solid, US consumer spending remains resilient, and while the Federal Reserve Chair said they do not welcome any further labor market cooling, the US unemployment rate is well below recessionary levels. On the other hand, US manufacturing is decidedly weak, housing hovers at record levels of unaffordability, and government provided employment estimates have been consistently revised lower.

Regarding seasonal headwinds and elections, we note the following history: this century, September has been the worst month of the year, averaging a -1.7% return, and over the last five years, the S&P 500 has averaged -4.2%. Over the past six presidential cycles, the S&P 500 has averaged a -4.3% return during the two-month leadup to election day, with defensive sectors like staples, utilities, and healthcare outperforming. However, post-election trading has seen strong overall returns and cyclical outperformance with Q4 as a bright spot, averaging +4.2% this century and +9.8% over last five years.

Your investment team has seen many of these cycles before, both economic and elections. Eschewing market timing, our focus is always on core company-specific fundamentals, enabling us to take advantage of market volatility by adding to holdings at more attractive prices. The core equity strategy remains attractively priced with better growth, quality, and cash flow generation characteristics than the overall equity market indices.

*Total Returns Source: Factset Data

As always, we appreciate the opportunity to work with you, and if you have any questions, please do not hesitate to reach out to your Seacoast Wealth Management Associate.