

NOVEMBER 2024

OCIO Observes ... Our Thoughts On The Economy & Markets

Dear valued client,

We hope this note finds you well and that you find it of value. We are grateful for the trust and confidence you have placed in Orion OCIO. Please contact us if we can assist you in any way.

Tim Holland

A look back ...

- October **wasn't** that spooky for U.S. stocks, with the S&P 500 off **-0.9%**. Stocks started October strong but struggled late as rising bond yields and a few high-profile disappointing earnings reports weighed on sentiment and prices.
- October **was** spooky for bonds (the Bloomberg Aggregate fell -2.5%) and ex-U.S. stocks (the MSCI EAFE and EM Index fell 5.4% and 4.3%, respectively). The bond market seemed worried about the outlook for inflation and the U.S. budget deficit, while ex-U.S. markets faltered due to disappointing economic data and a rallying dollar.
- The U.S. added just 12,000 jobs in October, badly missing expectations — the Boeing strike and hurricanes probably hit hiring. The opaqueness of the report doesn't help the Fed as it tries to discern the health of the labor market.

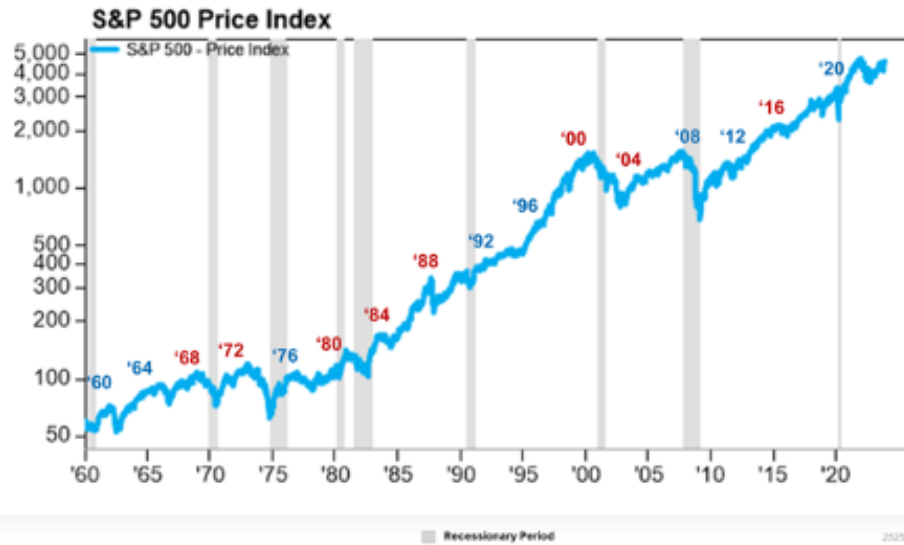
A look ahead ...

- And the Fed meets this Wednesday and Thursday. Coming out of its September meeting, the Fed guided to a quarter point rate cut this month, and that is what Wall Street expects. That said, mostly better-than-expected economic data and a backing up in yields have introduced doubt of late about the path forward for interest rates.
- November kicks off the seasonally strong stretch for the markets (November through April — the opposite of “Sell in May and Go Away”). Markets also tend to produce above-average returns coming out of a presidential election. So, if history is any guide, U.S. stocks should be biased higher into year-end.
- And tomorrow is election day ... to say this has been a stressful campaign season for most Americans would be an epic understatement. For some thoughts on The State of The Race, please watch [our latest video](#).

A look at a datapoint worth discussing ...

- Speaking of the election, Donald Trump and Kamala Harris are running neck and neck, and the battle for Congress is too close to call. We are assuming about half of America will be disappointed once the votes are counted.
- That said, investors should remember that the factors that make America the economic envy of the world aren't going away anytime soon — think large, liquid capital markets; personal property rights; world-beating universities, etc.
- And we are reminded that markets have done well regardless of what party has held the White House ... with the S&P 500 rising from 50 under John F. Kennedy in 1960 to 5,700 under Joe Biden in 2024 (see chart).











Markets go up over time regardless of what party controls the White House



This Month's Dataset

Category	Index	October	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Large Cap	S&P 500	-0.91	-0.91	20.97	37.68	9.04	15.21	12.95
Large Cap	NASDAQ Composite	-0.49	-0.49	21.24	41.49	6.11	17.76	15.06
Small Cap	Russell 2000	-1.44	-1.44	9.56	33.77	-0.05	8.47	7.91
Growth	Russell 3000 Growth	-0.38	-0.38	23.53	43.03	8.18	18.26	15.61
Value	Russell 3000 Value	-1.12	-1.12	14.92	30.75	6.51	10.00	8.74
Developed	MSCI EAFE	-5.42	-5.42	7.34	23.38	3.20	6.73	5.76
Emerging	MSCI Emerging Markets	-4.32	-4.32	12.17	25.73	-0.98	4.33	3.82
China	MSCI China	-5.91	-5.91	21.94	21.82	-8.20	-1.01	2.51
Core Fixed Income	Bloomberg Barclays Aggregate	-2.48	-2.48	1.86	10.46	-2.19	-0.23	1.48
High Yield	Bloomberg Barclays High Yield	-0.54	-0.54	7.42	16.34	2.96	4.53	4.85
Commodities	Bloomberg Commodity	-1.85	-1.85	3.89	-1.17	2.14	6.93	-0.08
Commodities	Bloomberg Composite Crude Oil	2.64	2.64	6.68	-3.27	9.19	8.40	-3.65
Commodities	Bloomberg Copper	-4.30	-4.30	14.23	21.32	1.93	11.36	3.58

Source: FactSet. Performance shown on an annualized basis (%) for trailing periods ending 10/31/2024.

Economic Indicator	Reference	LATEST	1Y Avg	3Y Avg	5Y Avg	10Y Avg	LT Trend	10Y History
Volatility	CBOE Volatility Index	23.2	15.2	19.6	21.3	18.3	Neutral	
Valuation	S&P 500 - P/E NTM	21.4	19.9	19.1	19.7	18.3	Neutral	
Earnings Growth	S&P 500 - EPS, YoY Growth (%)	7.08	10.5	9.8	9.8	8.3	Neutral	
Profit Margin	S&P 500 - Operating Margin (%)	22.2	21.9	21.3	20.9	20.4	Neutral	
Short-term Yields	2Y Treasury Yield (%)	4.16	4.7	3.5	2.3	1.9	Increasing	
Long-dated Yields	10Y Treasury Yield (%)	4.3	4.3	2.3	2.2	2.2	Increasing	
FI Yields	Bloomberg US Aggregate - YTW (%)	4.7	4.9	4.0	3.0	2.8	Increasing	
FI Duration	Bloomberg US Aggregate - Duration (years)	6.1	6.2	6.3	6.2	6.0	Neutral	
Credit Yields	Bloomberg US Corporate Credit - YTW (%)	7.3	8.1	7.5	6.7	6.6	Increasing	
Crude Oil Price	WTI Crude Oil - Spot Price (\$/bbl)	69.3	78.9	83.0	69.8	62.0	Declining	
	52-Week High	87.7						
	52-Week Low	66.7						

Source: FactSet. All data as of 10/31/2024.

Disclosure

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An index is an unmanaged group of assets considered to be representative of a select segment or segments of the market in general, as determined by the index manager for the purposes of managing a specific index. You cannot invest directly in an index.

The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks

The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks.

The Russell 2000 is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small-cap stocks.

The Russell 3000 Index is an unmanaged index considered representative of the U.S. stock market. The index is composed of the 3,000 largest U.S. stocks.

The MSCI EAFE Index is a composite index which tracks performance of international equity securities in 21 developed countries in Europe, Australia, Asia, and the Far East.

The MSCI Emerging Markets (or EM) Index is an index which tracks performance of international equity securities in developed countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada.

The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

The Bloomberg Barclays US Aggregate Bond Index measures the performance of the total United States investment-grade bond market.

The Bloomberg Barclays U.S. Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

The Bloomberg Commodity Index is made up of 22 exchange-traded futures on physical commodities and represents 20 commodities that are weighted to account for economic significance and market liquidity.

The Bloomberg Composite Crude Oil Index is composed of futures contracts on WTI and Brent Crude Oil.

The Bloomberg Copper Index is a commodity group subindex of the BCOM composed of futures contracts on Copper.

The CBOE Volatility (VIX) Index is a calculation designed to produce a measure of constant 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of the S&P 500 Index (SPX) call and put options.

The Bloomberg US Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market.

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