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## SUMMARY

- Rate cuts tend to be good for S&P 500 future returns.
- Recession risk remains relatively low, in our view, with employment normalizing.
- We view this as a 'Goldilocks' scenario for stocks.

10.15.2024

## October 2024 Chart Pack Summary

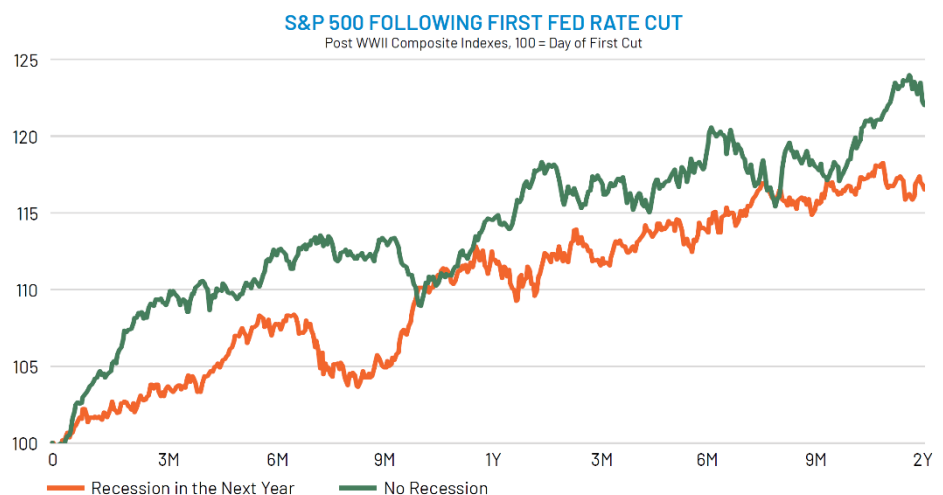
### A 'Goldilocks' Backdrop for Markets Overall

We are excited to release our [October 2024 Chart Pack](#), our visual quarterly designed to walk investors through what's happening in markets and why, what may come next, and how we are positioning RiverFront portfolios. In today's Weekly View, we picked three visuals from the Chart Pack to highlight.

The Federal Reserve ('Fed') commenced cutting interest rates with a 50 basis point cut (basis point = 1/100th of 1%) in September, with Jay Powell and co. demonstrating optimism that inflation is under control. Our historical analysis of sixteen rate-cutting cycles starting in the 1950s (Chart 1, below) suggests the subsequent couple of years after the first rate cut tend to be positive for stocks... particularly if the economy can stay out of recession over the following year (green line, Chart 1).

We believe that [US 'Economic Exceptionalism'](#) is alive and well, and that the current economic expansion is durable. This is evidenced, in our view, by the resiliency shown in Purchasing Manager Index (PMI) surveys (Chart 2, next page). While much has been made about recent rise in continuing jobless claims (blue line on Chart 3, next page), we believe this simply represents a normalization back closer to historical averages (yellow line, Chart 3) after the unusually tight job market of the last few years. We view this backdrop of rate cuts into an expanding economy as a 'Goldilocks' scenario for stocks. Our asset allocation portfolios remain overweight stocks, with an emphasis on the United States.

### CHART 1: RATE CUTS TEND TO BE GOOD FOR U.S. STOCKS



Source: RiverFront, Ned Davis Research, CRSP, Factset; data weekly, as of 9.30.24; Charts shown for illustrative purposes only. Past performance is no indication of future results. Recession cases include: 11/15/1957, 06/10/1960, 11/13/1970, 12/09/1974, 05/30/1980, 11/2/1981, 01/03/2001, 09/18/2007, 07/31/2019; Cases with no recession include: 04/07/1967, 08/30/1968, 11/19/1971, 11/21/1984, 06/06/1989, 07/6/1995, 09/29/1998.

CHART 2: RECESSION RISK REMAINS LOW, IN OUR VIEW; PMI SURVEY SUGGESTS ECONOMIC EXPANSION

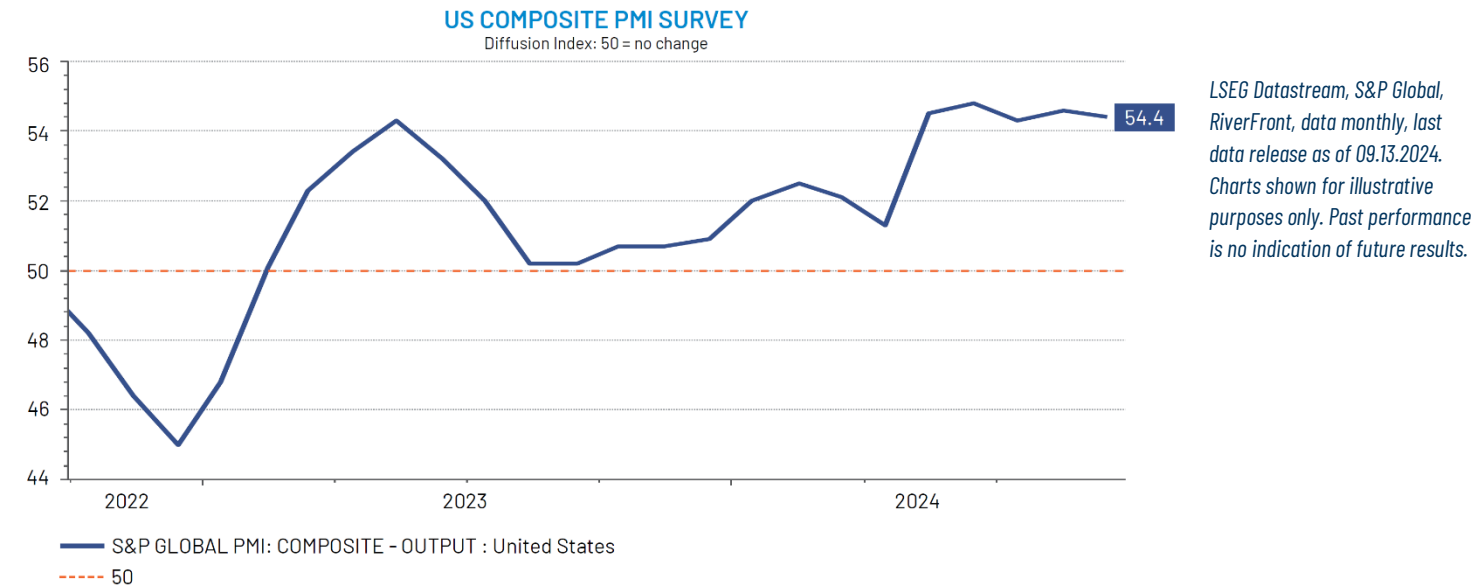
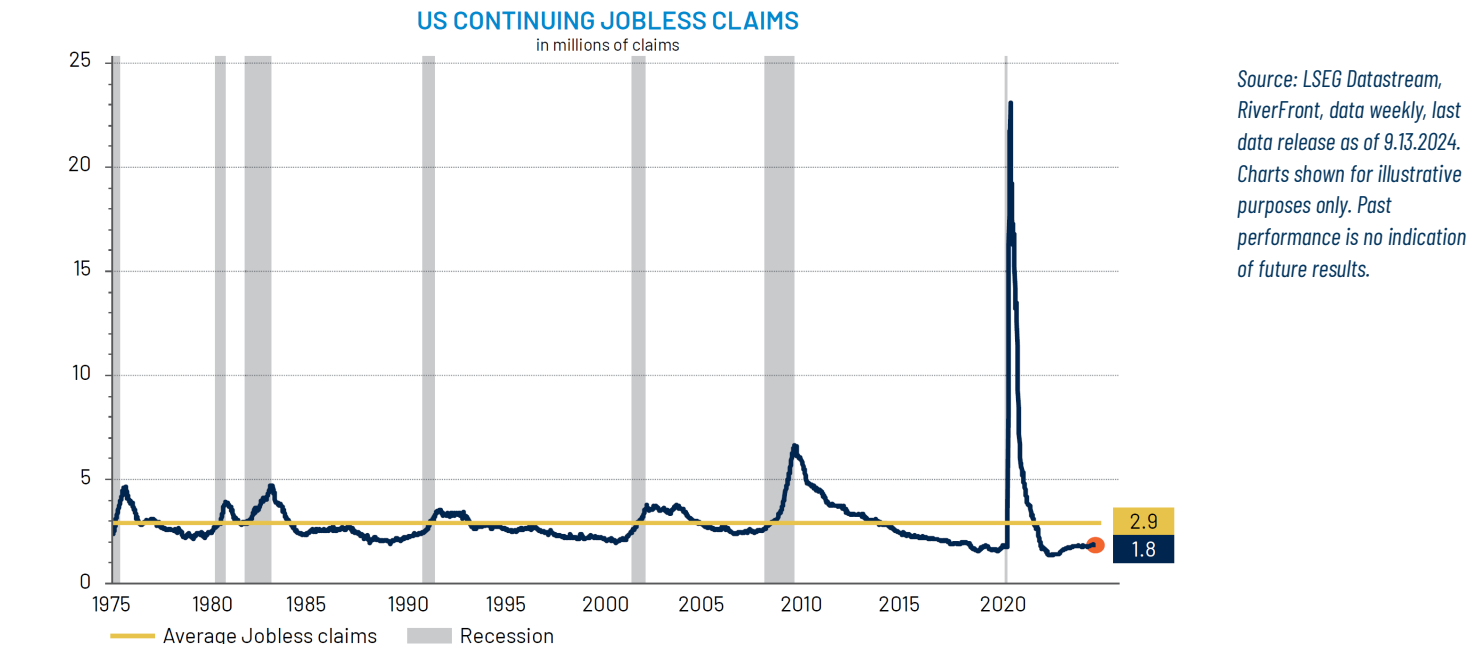


CHART 3: WE BELIEVE EMPLOYMENT IS NORMALIZING... NOT COLLAPSING



Source: LSEG Datastream, RiverFront, data weekly, last data release as of 9.13.2024. Charts shown for illustrative purposes only. Past performance is no indication of future results.

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*Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.*

*In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.*

### **Index Definitions:**

*Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.*

*Standard & Poor's (S&P) 1000 Index (US SMID Cap) – the S&P MidCap 400 Index and the S&P SmallCap 600 Index are combined to form the S&P 1000.*

*Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero).*

*Dividends are not guaranteed and are subject to change or elimination.*

### **Definitions:**

*The Purchasing Managers' Index (PMI) is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors. The indicator is compiled and released monthly by the Institute for Supply Management (ISM), a nonprofit supply management organization.*

*A Goldilocks economy is not too hot nor too cold but just right, to steal a line from the popular children's story "Goldilocks and the Three Bears". The term describes an ideal state for an economic system. There's full employment, economic stability, and stable growth in this perfect state. The economy isn't expanding or contracting by a large margin.*

*A basis point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. (bps = 1/100th of 1%)*

*A recession is a significant, widespread, and prolonged downturn in economic activity. A common rule of thumb is that two consecutive quarters of negative gross domestic product (GDP) growth indicate a recession. However, more complex formulas are also used to determine recessions.*

*When referring to being "overweight" or "underweight" relative to a market or asset class, RiverFront is referring to our current portfolios' weightings compared to the composite benchmarks for each portfolio.*

*In a rising interest rate environment, the value of fixed-income securities generally declines.*

*Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.*

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