C&N
VANTAGE POINT
Quarterly Market Recap & Outlook | Third Quarter, 2024

Meet A Team Member

Corey Boller, CFA®

Investment Officer

Corey joined the C&N Wealth Management team in May, bringing with him a decade of experience in portfolio management and investment research. Previously, Corey distinguished himself as a Portfolio Manager and Business Development Officer at the Bank of Ann Arbor's Trust & Investment Management Group.

"My academic foundation, coupled with over a decade of practical experience in the field, has allowed me to develop a nuanced understanding of investment strategies and financial markets. Last year, I had the honor of serving as an Advisory Board Member for the Institutional Investor Registered Investment Advisor Institute where I contributed my insights and expertise to shape the industry's future."

A proud Michigan native, Corey now resides in Wellsboro, PA. He holds a Bachelor of Business Administration in Accounting from Eastern Michigan University and a Chartered Financial Analyst® designation, the highest recognition in the investment management industry. "C&N's commitment to personalized client service and their robust investment strategies align perfectly with my professional philosophies. I look forward to leveraging my experience to help our clients achieve their financial goals effectively."

Key Equity Indexes - As of Quarter End	%YTD Return**	NTM P/E**	P/B**	Dividend Yield**
S&P 500	21.55	21.52	4.78	1.23
Russell 2000	10.85	24.86	1.90	1.29
Russell 1000 Growth	23.94	28.55	12.14	0.54
Russell 1000 Value	16.34	16.68	2.65	1.96
MSCI EAFE	15.25	14.24	1.85	2.65
MSCI EM	17.60	12.67	1.75	2.02

Sources: JP Morgan Weekly Market Recap; Northern Trust. Past performance does not guarantee future results, which may vary.
** As of 9/27/2024

Key Interest Rates	2024			
	12/29/23	3/29/24	6/28/24	9/27/24
2-yr Treasury Note	4.23	4.59	4.71	3.55
10-yr Treasury Note	3.88	4.2	4.36	3.75
30-yr Treasury Note	4.03	4.34	4.51	4.1
30-yr Fixed Mortgage	6.83	6.93	6.93	6.69
Corp. Bond Index	5.06	5.3	5.48	4.69
High-Yield Bond Index	7.8	7.83	8.09	7.22

Sources: JP Morgan Weekly Market Recap & Oppenheimer Markets Review At-a-Glance
Past performance does not guarantee future results, which may vary.

2024 YTD Style Performances**

	US Equity Style			MSCI World Style			US Fixed Income Maturity***			
Equity Size	Value	Core	Growth	Value	Core	Growth	Short	In-termed.	Long	Quality
Large	16.34%	20.71%	23.94%	16.93%	19.85%	22.48%	4.34%	4.39%	2.82%	Government
Medium	14.87%	14.46%	12.85%	14.71%	14.07%	13.17%	5.50%	5.87%	4.76%	Corporate
Small	8.85%	10.85%	12.96%	11.04%	11.41%	11.77%	7.92%	8.00%	7.18%	High Yield

Source: Northern Trust, Goldman Sachs Asset Management Market Monitor & Oppenheimer Markets Review At-a-Glance | US Equity Style Returns - Russell Indices Past performance does not guarantee future results, which may vary.
**As of 9/27/2024

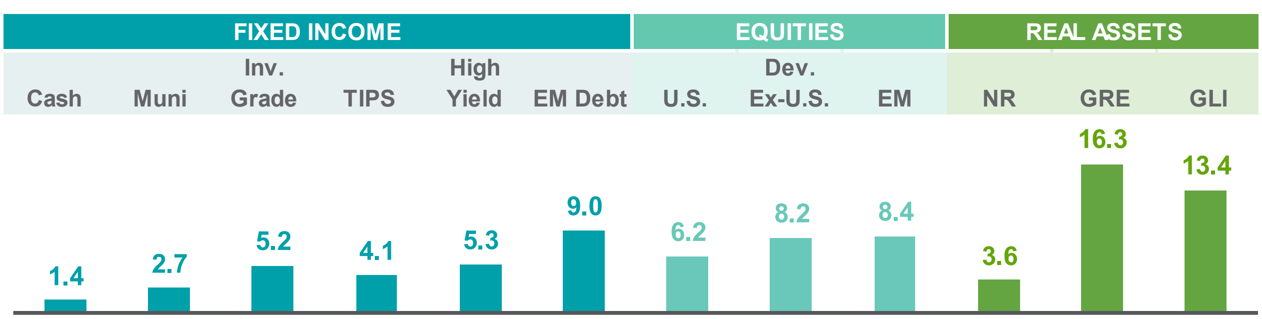
BROADER GAINS

Positive macro forces prevail. It was an eventful quarter where the macro backdrop ultimately shaped up positively. A handful of underwhelming U.S. data releases garnered negative investor reactions, including softer U.S. labor and manufacturing data. However, patches of cooler activity appeared to represent no more than speed bumps on the path to a soft landing as growth remained solid overall. With inflation continuing to approach more normal levels, the Fed kicked off its rate cutting cycle with a 50-basis point cut. The Fed is among many global central banks who have embarked on rate cutting campaigns. Out of 111 central banks across the world, 37 more are cutting their policy rate than hiking it. An exception is the Bank of Japan, which raised its policy rate by 15 bps during the quarter. This gave way to an unwind of yen carry trades and an episode of sharp market volatility that ultimately settled. In China, growth developments underwhelmed until the Politburo announced stronger-than-expected stimulus. While pledged support may not be sufficient for a sustained turnaround, the strong market reaction suggests it is a step in the right direction. Drowned out in the more positive macro events was risk of a broader conflict in the Middle East. From an economic standpoint, this risk was largely contained during the quarter. However, escalation odds rose heading into quarter-end. The situation will be under close surveillance alongside the U.S. Presidential Election heading into the last quarter of this year.

Strong third quarter for financial markets. Financial market returns were robust with mid-single-digit gains or higher in a number of major asset classes. Steadily declining interest rates supported fixed income returns in addition to a healthy credit backdrop – leading to roughly similar returns across investment grade and high yield. Equity markets were helped by wider support across both regions and sectors versus some recent quarters of more narrow U.S. megacap-tech driven gains. The major non-U.S. regions modestly led the U.S. in dollar terms. Emerging markets received a late-September boost from China, while non-U.S. developed market returns benefited from a weaker U.S. dollar with more muted returns on a local currency basis. U.S. equity market breadth improved with a number of pockets of the market performing well. For instance, small caps outperformed large caps while more defensive sectors led versus cyclical and tech-related sectors. The Magnificent 7 group was still positive – but accounted for less than a tenth of the S&P 500's 3Q gain. The U.S. earnings backdrop remains constructive with less reliance on the Magnificent 7 and more sectors overall posting double-digit earnings growth. Divergence in the real asset space continued with double-digit gains in real estate and listed infrastructure. Both asset classes responded favorably to declining interest rates. This contrasted with a tougher quarter (albeit still positive) for natural resources given a relatively soft commodities backdrop and a nearly 20% decline in crude oil prices.

THIRD QUARTER 2024 TOTAL RETURNS (%)

The 60/40 portfolio's return ranks 25th out of the past 140 quarters due to solid gains across both equities and fixed income.



	Cash	Muni	Inv. Grade	TIPS	High Yield	EM Debt	U.S.	Dev. Ex-U.S.	EM	NR	GRE	GLI
YTD	4.1	2.3	4.4	4.9	8.0	4.9	20.7	13.4	16.6	3.9	13.6	18.0

Source: Northern Trust Asset Management, Bloomberg. NR: Natural Resources; GRE: Global Real Estate; GLI: Global Listed Infrastructure. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

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KEY DEVELOPMENTS

U.S. Economic Resilience Continues

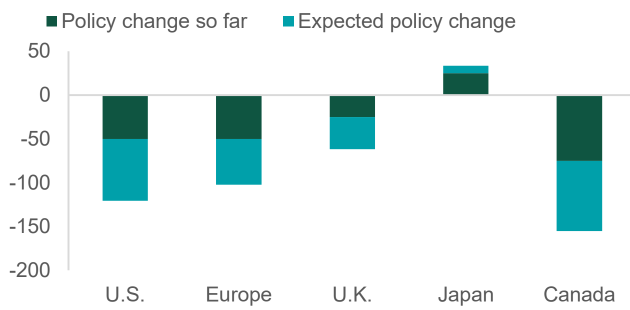
The U.S. economy kept on-track for a soft landing despite some moderation in labor market activity. 2Q GDP growth printed at 3.0% and the overall consumer backdrop remains firm. Outside the U.S., the Europe growth outlook softened with ongoing challenges in core economies such as Germany and France. Amid mounting growth concerns, China announced major monetary and fiscal support for its economy across a number of avenues (rate cuts, mortgage relief, equity market facilities, etc.) in late September.

CITI ECONOMIC SURPRISE INDEX

The Fed Pause is Over

Major developed market central banks remain focused on cutting rates as they balance slowing growth with moderating but still-above target inflation. While most of its peers led off with 25-bp cuts, the Fed opted for a 50-bp move. Investors digested this well – helped by Fed messaging on proactively cutting to help maintain a solid labor market as risks around its dual mandate have come into better balance. Similar to the recent past, the Bank of Japan (BOJ) remains on a different trajectory as it looks to gradually raise rates.

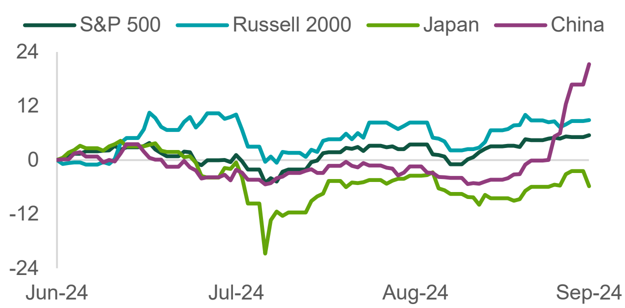
2024 CENTRAL BANK ACTIVITY (BPS)



Short-Lived Soft Patches

3Q saw two notable financial market rough patches followed by quick recoveries. In early August, concerns surfaced around U.S. growth and the unwind of yen carry trades following the BOJ's late-July rate hike. This led to a rapid 20%-plus correction in Japan equities and a 6% drawdown for the S&P 500. Additional U.S. growth concerns led to a rough start for U.S. equities (-4%) in the first week of September. On a more positive note, China equities surged in the last week of September following the stimulus news.

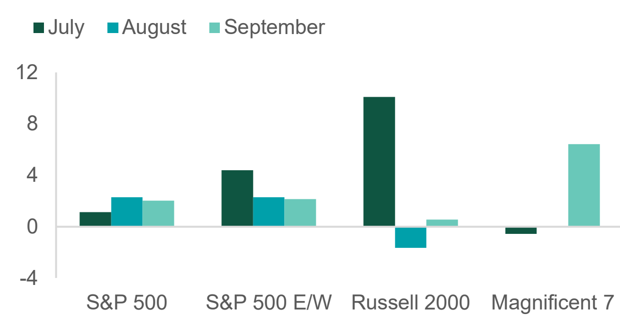
3Q2024 RETURNS IN LOCAL CURRENCY (%)



Broader Equity Market Gains

Equity market returns broadened in 3Q with ongoing gains even as market leadership shifted notably versus the first half of 2024. Small caps led large caps and more defensive parts of the market outperformed cyclical and tech-related areas. For the S&P 500, eight out of eleven sectors outperformed the index with utilities and real estate leading the way. Broader earnings growth has been a key pillar of all this with companies outside of the Magnificent 7 contributing nearly half of 2Q S&P 500 earnings growth.

3Q2024 RETURNS BY MONTH (%)



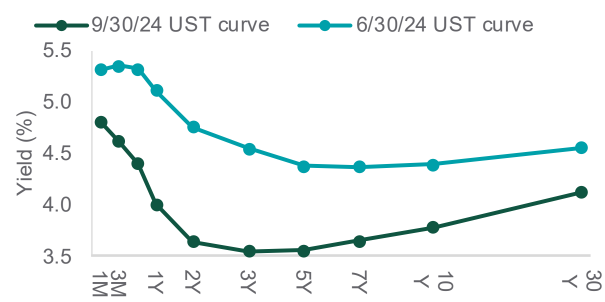
Source: Northern Trust Asset Management, Bloomberg, Citi. Data as of 9/30/2024. Note: in the third chart, index proxies are the Topix (Japan) and the Shanghai Shenzhen CSI 300 (China); E/W = equal-weighted. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

MARKET REVIEW

Interest Rates

The 2-year and 10-year Treasury yield finished down 111 and 62 basis points (bps), respectively. The more sizeable moves on the front end of the curve were enough to bring the 10-year / 2-year spread out of negative territory. The curve had been inverted for over two years – the longest stretch in over 40 years. The balance of easing inflation and softer employment data prompted the Fed to initiate its rate cutting campaign with a 50-bp rate cut. Most central banks are now cutting rates, with markets expecting more to come.

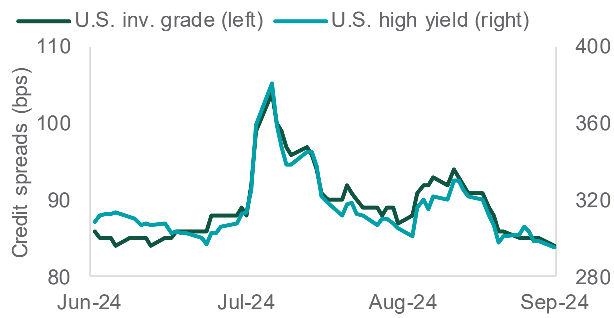
U.S. TREASURY YIELD CURVE



Credit Markets

Credit spreads sharply widened surrounding the unwind of yen carry trades and disappointing U.S. jobs data. They widened again in early September amid additional U.S. growth concerns. Both instances were short-lived. Periods of spread widening were generally followed by more sizeable reversions back toward historical lows. Investment grade (IG) spreads ended 2 bps tighter and high yield (HY) spreads tightened 14 bps. HY (+5.3%) returned slightly more than IG (+5.2%) with lower-quality credits outperforming within both segments.

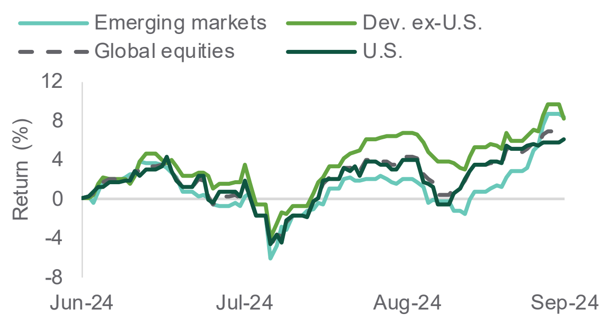
CREDIT SPREADS



Equities

Bouts of equity weakness ended the quarter as no more than temporary corrections typically experienced in bull markets. Underpinned by positive economic growth and solid corporate fundamentals, global equities tacked on another 6.7%, bringing their year-to-date gain to 18.2%. There was a reversal of year-to-date leadership trends across regions, styles and sizes. For example, the U.S. trailed international, growth trailed value, and large caps trailed small. However, even said laggards posted solid returns – an ode to the broader nature of equity gains.

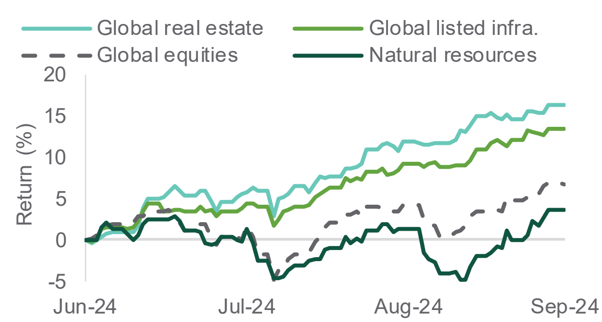
REGIONAL EQUITY INDICES



Real Assets

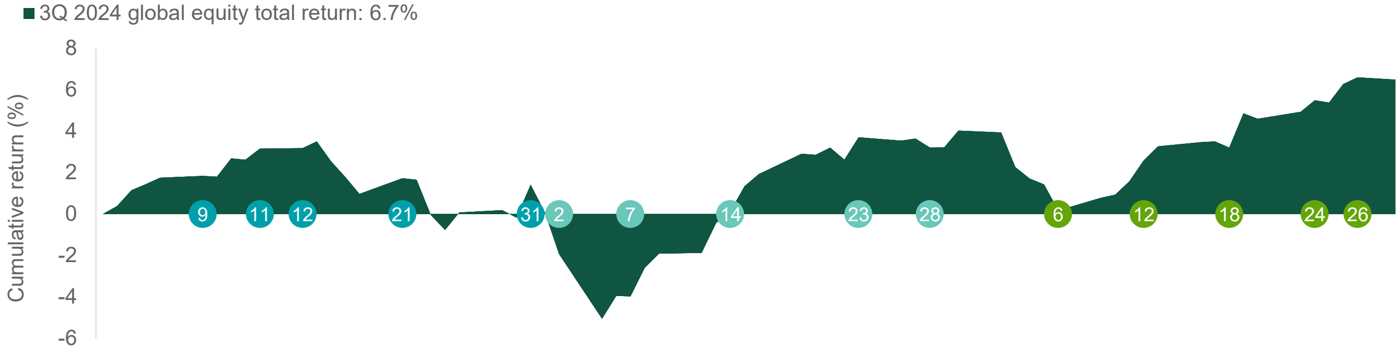
It was a very strong quarter for global real estate (+16.3%) and listed infrastructure (+13.4%). Real estate was down on the year heading into the quarter. The asset class enjoyed a strong reversal with tailwinds from slowing-but-intact economic growth and lower interest rates. The office sector was particularly strong. Infrastructure benefited from similar tailwinds and continued to build on momentum from potential AI-driven demand. Natural resources increased 3.6% but continued to lag with oil prices down around 17%.

REAL ASSET INDICES



Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

MARKET EVENTS



JULY	AUGUST	SEPTEMBER
9 Fed Chair Powell refrains from delivering major guidance in his Congressional testimonies, but he does signal a bit more attentiveness to downside growth risks.	2 The U.S. unemployment rate rises to 4.3% and triggers the Sahm Rule. The softer than expected labor report adds to equity market weakness coinciding with the carry trade unwind.	6 In the August U.S. jobs report, nonfarm payroll gains come in below consensus again. However, the unemployment rate ticks down to 4.2%.
11 U.S. core Consumer Price Index (CPI) eases more than expected. The month-over-month (m/m) increase is 0.1% versus 0.2% the prior month and 0.3% the month before that.	7 The Bank of Japan (BOJ) seemingly seeks to reassure markets as deputy governor Uchida says the BOJ will not raise rates in unstable markets.	12 The European Central Bank cuts its key policy rate by 25 bps. This is its second rate cut of the year.
12 Second quarter earnings season kicks off with JPMorgan (JPM), Wells Fargo (WFC) and Citigroup (C). S&P 500 earnings growth finishes slightly better than expected on a y/y basis.	14 U.S. core CPI decelerates to 3.2% y/y from 3.3%. Excluding shelter, core CPI is flat for the third month in a row.	18 The Fed lowers its policy rate by 50 bps. Fed messaging focuses on more confidence in moderating inflation and proactively adjusting policy to help maintain a solid labor market.
21 Four months prior to the 2024 presidential election, U.S. President Joe Biden drops out of the race and endorses Vice President Kamala Harris.	23 At Jackson Hole, Chair Powell's speech notes that "the time has come for policy to adjust" and points to higher downside labor market risks.	24 The People's Bank of China announces that it will increase stimulus in a broad manner. China equities gain 5.2% on the day.
31 The Bank of Japan delivers a 15-basis point (bp) rate hike and outlines a tapering plan, leading to an unwind of yen carry trades and equity volatility.	28 Despite Nvidia (NVDA) beating earnings expectations, its results are not as impressive as recent quarters and NVDA declines 6.4% on the day after.	26 The Politburo holds a surprise meeting to announce further fiscal support in China. China equities rise another 6.2% on the day.

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Indexes used: Bloomberg (BBG) 1-3 Month UST (Cash); BBG Municipal (Muni); BBG Aggregate (Inv. Grade); BBG TIPS (TIPS); BBG High Yield 2% Capped (High Yield); JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income); MSCI U.S. Equities IMI (U.S. Equities); MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities); MSCI Emerging Market Equities IMI (Em. Markets Equities); S&P Global Natural Resources (Natural Resources); MSCI ACWI IMI Core Real Estate (Global Real Estate); S&P Global Infrastructure (Global Listed Infrastructure).

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S&P 500 EARNINGS BREADTH BROADENS

After a few volatile weeks, global equities ended up about 2.6% in August. Following a 15% plus decline in the first three days of August, Japanese equities ended the month up 1.8%. In the U.S., defensive equities performed better than the more cyclical areas and mega cap stocks. Fixed income returns have benefited from recent declines in interest rates. The 2s10s curve (yield curve) has un-inverted. The 2-year Treasury yield declined as the market began anticipating interest rate cuts over the next 12 months. Credit spreads widened somewhat, but it mostly reflected heightened volatility in the rates market and less about the health of the corporate sector.

U.S. economic activity is likely to cool from its brisk pace in the first half, but we don't expect a contraction in the near term. The recent payrolls report and revisions released last month show that the job market is cooling from its earlier hot pace with no evidence of a downturn. Recent data has been broadly consistent with our soft landing base case and if anything, probabilities have coalesced even more around the base case.

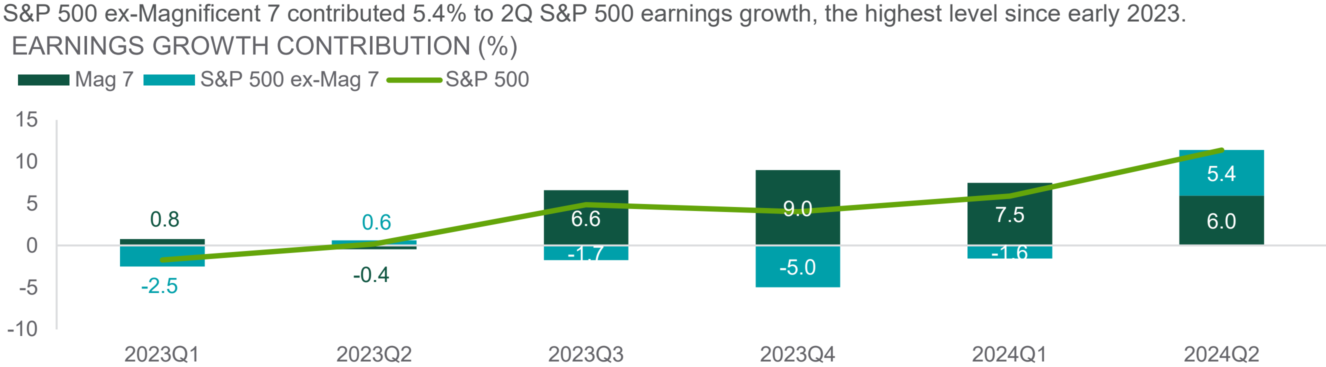
Inflation is decelerating to more normal levels. With a cooling labor market, we would expect more progress on services inflation. The Fed has communicated that the "time has come" to begin cutting interest rates in response to falling inflation and slowing growth. The June [1]SEP had the Fed Funds rate at 4.1% by the end of 2025, while the market expects an additional 125 basis points (bps) of cuts. Potential unwinding of rate cut expectations could be a source of volatility. Despite recent moderation, the U.S. growth outlook is much more constructive relative to Europe and China where slowing continues.

The S&P 500 saw 11% year-over-year earnings growth in the second quarter, of which nearly half came from stocks outside of the Magnificent 7. This is a change from the prior 2-3 quarters when their contribution was negative. We see a similar picture in the bond market where credit spreads have remained contained. The High Yield (HY) picture remains constructive with low default rates.

Our recommended 6-12 months tactical asset allocation broadly favors global equities over bonds. There are some valuation concerns around U.S. equities but strong earnings expectations and the broadening of equity markets keep us invested in them. Bonds may remain volatile if the market begins to price out rate cuts. This led us to go further underweight bonds. We do expect a bounce back in global equities but we removed our developed ex-U.S. equities overweight where the growth picture is a little muddy. The reductions in bonds and equities funded additions to Global Real Estate and Global Listed Infrastructure. Both asset classes should continue to benefit from the reduction in the rates environment. Investor sentiment was quite negative on Real Estate and we expect an improvement here as the asset class is highly leveraged to lower and declining rates. Further, Global Listed Infrastructure is particularly well positioned from an earnings and fundamentals perspective.

S&P 500 EARNINGS BREADTH BROADENED

S&P 500 ex-Magnificent 7 contributed 5.4% to 2Q S&P 500 earnings growth, the highest level since early 2023.



Source: Northern Trust Asset Management, Bloomberg, FactSet. Data as of 8/31/2024. Magnificent 7 = Mag 7. [1]SEP = Summary of Economic Projections.

C&N PORTFOLIO POSITIONING:

SLIGHTLY ABOVE NEUTRAL IN EQUITIES

C&N Vantage Point
October 2024

C&N

Market Views:
U.S. Equities Are Fairly Priced. Markets Are Due For Consolidation.
Fed Rate Cuts Continue Into 2025.
Remain Diversified. Rotation In Equity Leadership Likely.

Market Risks:
Earnings Decline And Price Multiples Contract Accordingly.
Persistent Inflation And Hotter Labor Market Halts Fed Cuts.
Geopolitical Risks Escalate And Pressure Financial Markets.

Risk Type	Asset Class	Sector Category	Under Weight	Neutral	Over Weight	Viewpoints
	Cash/Cash Alternatives	**Ultrashort Bonds**			●	We began trimming in June. We retain an overweight but expect to trim further. This remains a source of funds for a targeted trade with an eye on adding to equities preferred.
Risk Control	Alternatives (Fixed Based)	**Absolute Return**	●			This is a bond alternative category. Given current yields, we believe core fixed income provides better risk/reward. We retain our underweight.
Risk Control	Alternatives (Fixed Based)	**Inflation-Linked Bonds**	●			Inflation expectations impact TIPS pricing more than actual inflation. Expectations are leveling. We remain slightly underweight but look to increase if inflation breakeven levels become favorable.
Risk Control	Fixed Income	**US Investment Grade Bonds**		●		Yields provide respectable entry points as bonds try to establish equilibrium. Subsiding inflation and Fed rate cuts are countered by a solid U.S. economy and increased U.S. government debt issuance.
Risk Control	Fixed Income	**International Bonds**	●			U.S. yields are higher than yields of most foreign developed markets. The U.S. economy is also stronger than most foreign developed economies. We stay underweight international bonds.
Risk Control	Fixed Income	**Emerging Markets Bonds**	●			Many EM economies are more susceptible to inflation, slowing growth, and geopolitical concerns. Spreads have tightened. We retain our slight underweight favoring the risk/reward of domestic bonds.
Risk Assets	Fixed Income	**High Yield Bonds**		●		Yields remain attractive relative to other fixed income asset classes, but the spread to Treasuries remains below average. We maintain our neutral position believing a near term recession is unlikely.
Risk Assets	Equities	**US Large Cap**			●	We retain a slight underweight to growth but remain overweight value to help provide balance to the portfolio while keeping the portfolio positioned for a possible leadership rotation.
Risk Assets	Equities	**Developed Ex-US**	●			We retain a slight overweight to foreign large cap via our exposure to foreign large value. We retain our underweight to foreign small/mid keeping our slight underweight to the overall category.
Risk Assets	Equities	**US Mid & Small Cap**			●	We added to mid cap in June, taking us to overweight for the category. Mid caps offer growth exposure at reasonable valuations and Fed cuts may be more impactful for this category.
Risk Assets	Equities	**Emerging Markets**	●			We maintain an underweight but valuations are reasonable. China's stimulus has provided short-term momentum but dollar strength and geopolitical concerns have us favor domestic equities.
Risk Assets	Alternatives (Equity Based) & Real Assets	**Real Estate**		●		Fed rate cuts have provided momentum to REITs and current income is attractive. We remain neutral capturing the recent outperformance but cautious that longer term yields will decline much further.
Risk Assets	Alternatives (Equity Based) & Real Assets	**Commodities/Natural Resources**		●		We retain our neutral stance favoring foreign large value and U.S. large growth as a better blended approach to inflation tempering and an economy showing signs of cooling.

Note: Views are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector. Client portfolios may or may not be at the recommended weightings above due to, but not limited to: distributions, tax management limitations, systematic purchases, etc. NOT FDIC INSURED / MAY LOSE VALUE / NO BANK GUARANTEE

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QUARTERLY MARKET RECAP & OUTLOOK THIRD QUARTER, 2024

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