Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for October 2024

		Month	QTR TD	Calendar YTD	One Year	Three Years	Five Years
Domestic Stocks	S&P 500	-0.9%	-0.9	21.0	38.0	9.1	15.3
	Russell 2000	-1.4%	-1.4	9.6	34.1	0.0	8.5
Domestic Bonds	Bloomberg Aggregate	-2.5%	-2.5	1.9	10.5	-2.2	-0.2
	Bloomberg High Yield	-0.5%	-0.5	7.4	16.5	3.0	4.5
Non-US Stocks	MSCI EAFE	-5.4%	-5.4	6.8	23.0	2.7	6.2
	MSCI Emerging Mkts	-4.4%	-4.4	11.7	25.3	-1.4	3.9
Global Bonds	Bloomberg Global Agg	-3.4%	-3.4	0.1	9.5	-4.1	-1.6

Global markets were spooked in October as nearly all major stock and bond indexes ended the month in the red. During this period, the S&P 500 was down 0.9% with smaller-cap equities underperforming amid declines of 1.4% in the Russell 2000 Index. Non-U.S. stocks took a deeper dive with a strong U.S. dollar. The MSCI EAFE Index was down 5.4% for the month and the MSCI Emerging Market Index posted losses of 4.4% as Chinese equities gave back some of the gains from an outsized rally in September.

Expectations surrounding the number of potential interest rate cuts from the Federal Reserve over the next 12-months normalized in October as economic data continues to point to a robust U.S. economy with third quarter GDP growth coming in at a solid annualized rate of 2.8%. Inflation reports for the month were mixed: while inflation overall continues to trend lower, underlying price stickiness persists in some segments of the economy. Interest rates moved considerably higher last month amid the relatively strong economic data and indications from the Fed that it was likely to cut rates at a pace slower than what the market expects. The two- and 10-year U.S. Treasury yield moved nearly 50 basis points higher to 4.16% and 4.28%, respectively. While interest rates were higher for the month, credit spreads tightened with lower-credit quality segments leading the charge. Spreads on CCC-rated corporate debt fell 75 basis points and ended the month at 566 basis points.

Segments of the real asset market were the lone positives in October with WTI Crude Oil spot prices up 0.8% at $69/barrel. Gold also continued its stellar run and was up 4.1% for the month.

We encourage neutral duration positioning relative to strategic targets given the current interest rate environment. In addition, we suggest investors consider high-yield bonds as a liquidity source within portfolios and look to reduce overweight positions. We remain steadfast in our recommendation to hold a blend of S&P 500 and value exposures within U.S. large-cap stocks. While the 2024 election cycle and heightened geopolitical risks increase the likelihood of surprises for global markets, we encourage investors to remain disciplined and stick to long-term strategic asset allocation targets. At the same time, we urge investors to ensure liquidity is accessible for rebalancing should the market overreact to any surprise headlines in the coming months.

Commentary courtesy of New England Pension Consultants (NEPC). UUCEF has a consultancy agreement with NEPC to assist in the oversight of investment managers and provide other advisory services to the UUCEF Investment Committee. NEPC® is an independent, full service investment consulting firm, providing asset allocation, manager search, performance evaluation and investment policy services to middle and upper market institutional investment programs.]