LOUISVILLE CAPITAL ADVISORS OF RAYMOND JAMES®

Louisville Capital Advisors
Current Thinking – Fourth Quarter 2024

<u>Positives:</u>

1) The Federal Reserve cut interest rates by 0.50% at the September meeting and indicated more cuts are on the way. Lower interest rates can be a positive for equity valuations.
2) Retail sales rose 0.10% in August, beating the consensus forecast for a decline of 0.20%. Consumer spending is slowing but has not fallen off a cliff as some had predicted.
3) Second quarter GDP growth was revised upwards to 3%, led by consumer spending and business investment.
4) High-yield credit default swap (CDS) spreads have narrowed to new lows, showing that the bond market isn't experiencing credit stress. This supports the recent rise to new highs in equities.
5) Recent data shows a strong US economy with resilient consumer demand. Both consumer demand and the economy have consistently outpaced even the most optimistic forecasts since the pandemic recovery began.

<u>Negatives:</u>

1) Interest payments on the US debt of $35 Trillion just crossed $1 Trillion dollars for the first time in any fiscal year. This is unsustainable and a major risk to future GDP growth.
2) The Bureau of Labor Statistics released their revision of payrolls for year ending March 2024, which resulted in a reduction of 818,000 jobs from the originally reported numbers. 87% of all new jobs were in government, healthcare, and/or education.
3) Momentum has been weak during the equity breakout, with few S&P 500 stocks hitting new four-week highs. Market rotation is ongoing, and some areas are overbought in the short term.
4) Despite low oil prices in 2024, recent events highlight potential supply disruptions. Hurricane Helene caused a precautionary shutdown of 16% of Gulf of Mexico oil production. Meanwhile, escalating conflicts in the Middle East remains an area of concern.
5) Members of the International Longshoremen's Association in East and Gulf Coast ports went on strike Tuesday, potentially disrupting the American economy just five weeks before the presidential election.

<u>Considerations</u>

1) With the S&P 500 making a new all-time high, many investors could be overweight equities, and a rebalance could be prudent for those that are over exposed to risk assets.
2) With mortgage rates down approximately 1% from recent highs, those that purchased a home in the last 18 months should evaluate if a refinance would make sense.
3) We maintain an optimistic outlook on equities for the next 12 months, bolstered by the Fed's easing cycle. However, we advise a cautious and strategic approach to stock accumulation.
4) Given the recent sector rotation, diversification is crucial in portfolios. Additionally, the upcoming earnings season will serve as another catalyst for underlying trends.
5) While the market is trending upward, the lack of strong momentum reduces the urgency to buy stocks aggressively.