



DAVIS

EXECUTIVE WEALTH MANAGEMENT
at Steward Partners

Market Update

Timothy Davis, CFP®

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Since August 5th, according to Bloomberg the S&P 500 has fluctuated between a high of 5,662 and a low of 5,217, marking a 7.8% range, and The Nasdaq has seen even more volatility, with a high of 20,899 and a low of 17,966, representing a 14% swing. These significant moves over a five-week period have prompted many investors to ask, *What's happening in the market?*

The market is currently navigating several key challenges:

Economic Slowdown

As noted in The 7's report, even the most optimistic forecasters acknowledge that the economy is slowing. The good news is that the much-anticipated "soft landing" still appears intact. We continue to see positive GDP growth, a three-month average of 116,000 new jobs, declining inflation, and a resilient consumer.¹

Valuations

Valuation concerns remain prominent. Tom Essaye of the 7's report noted, with a 20x earnings multiple on the S&P 500 Index, the market is not priced for a "no-landing" or "soft-landing" scenario. This has particularly affected highly valued sectors like technology, where we've seen some of the largest companies experience significant pullbacks in recent months.

Seasonality and Election Uncertainty

Per FS Insights, Historically, September is one of the toughest months for markets, and this year is no different—September is off to the fifth-worst start since 1928. Compounding this is uncertainty surrounding the upcoming presidential election. Markets tend to react negatively to uncertainty, and right now, we're seeing a very close race. A clear winner from this week's presidential debate could help settle market nerves.

The Federal Reserve

It's important to remember that the Federal Reserve's pivot has already begun, and interest rates are on a downward trajectory. Over the last four months, rates have declined across the board, and according to Reuters, the federal funds rate is expected to fall to between 3.75% and 4.00% by the end of 2025—a 2.25% decrease. Historically, this kind of environment has been favorable for small-cap stocks and other assets tied to interest rates, such as dividend-paying stocks, utilities, REITs, and even cryptocurrencies.

Our Outlook

In summary, we believe this is a time to stay the course, provided your asset allocation aligns with your risk tolerance and investment objectives. If you're uncertain about this, now is an excellent time to review and reassess your portfolio. We continue to favor high-quality dividend payers, small-cap stocks, and long-duration, high-quality fixed-income securities as key overweight positions.

Thank you for your time and attention to this update.

Regards,
Tim

Listen to my interview on Sirius XM's Business Briefing: <https://youtu.be/URCkH5TQpa4?si=TzpkZdtKEvQnWDio>

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