



## Entrust Financial LLC® Market Commentary—3rd Quarter, 2024

### Equities, Inflation and Coming Soon!

#### Equities

The third quarter of 2024 brought notable shifts to investors as U.S. large-capitalization (cap) stocks lagged other major market indices. Despite posting a respectable return of nearly 6%, U.S. [large caps](#) were outpaced for the first time this year by both U.S. small-cap stocks and global equities. Bond markets, both domestic and international, also delivered positive returns as interest rates began to decline.

#### Inflation

With the Consumer Price Index reflecting a steady decline in inflation each month this quarter, the Federal Reserve (Fed) took the opportunity to act on its commitment to reduce interest rates. At its September meeting, the Fed initiated a rate-cutting cycle with a 50-basis point (0.5%) reduction, signaling further cuts in 2024 and 2025.

Other key developments this quarter included:

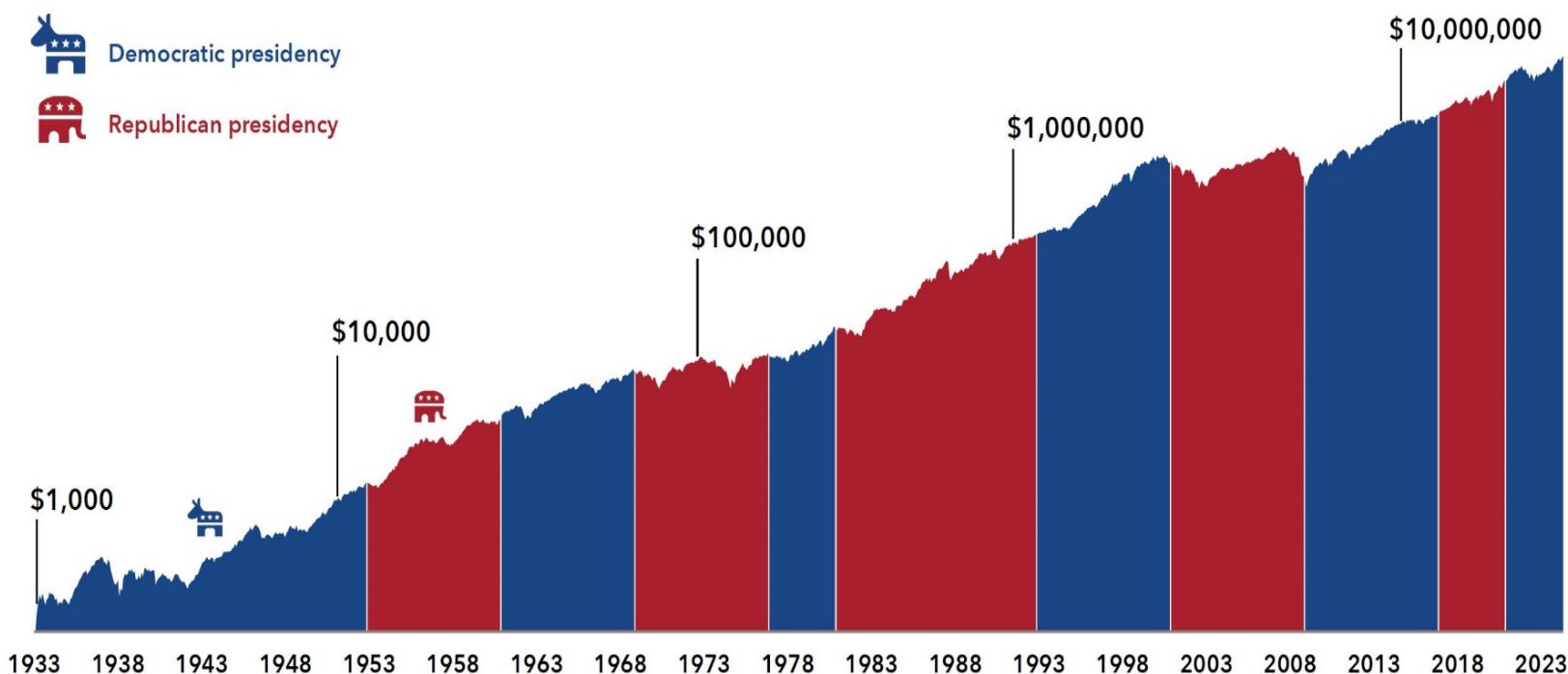
- The technology sector underperformed all other sectors except energy, which was the only [sector](#) to post negative returns as oil prices dropped.
- Interest rate-sensitive sectors, such as Utilities and Real Estate, led the way with strong rallies.
- China unveiled a significant stimulus plan that boosted emerging market stocks.
- The U.S. dollar (DXY) softened compared to other major currencies, further benefiting international and emerging markets.
- Gold prices continued to trend higher despite easing inflation pressures.

#### Coming Soon!

While the third quarter was characterized by a number of significant highlights, one topic remains at the forefront for investors in 2024: the upcoming Presidential Election. As Election Day nears market volatility often spikes, driven by heightened emotions and uncertainty. The good news is that, historically, stocks have tended to trend upward over time, regardless of which party holds office. This is illustrated by the red and blue mountain chart below. As you can see, it tracks ninety years of election cycle impacts on capital markets. Feel free to reassure yourself by reading our [Investors Get Nervous During Presidential Election Years](#) blog or contacting us to have a conversation.

## Stocks have trended higher regardless of which party was in office

Growth of hypothetical \$1,000 investment in S&P 500 Index



Sources: Capital Group, RIMES, Standard & Poor's. Chart shows the growth of a hypothetical \$1K investment made on March 4, 1933 (the date of Franklin D. Roosevelt's first inauguration) through June 30, 2024. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Past results are not predictive of results in future periods.

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Following are results for indices of asset classes commonly used to build our Entrust Financial globally diversified portfolios:



Asset Class Review	Q3 2024	2024 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	5.79%	20.19%	34.20%	9.61%	14.38%	11.87%
US Small Cap Equity	8.97%	10.25%	25.37%	0.73%	8.19%	7.59%
International Equity	6.97%	12.06%	23.40%	4.33%	7.02%	4.55%
Emerging Market Equity	8.42%	15.90%	24.67%	-0.70%	4.59%	2.89%
Global Real Estate	16.02%	12.98%	30.48%	1.88%	2.48%	4.89%
US Corporate Bond	5.55%	4.46%	13.03%	-2.26%	0.05%	1.80%
US Government Bond	4.45%	2.89%	8.51%	-2.86%	-1.30%	0.23%
International Bond	8.22%	1.97%	11.06%	-5.46%	-2.93%	-1.59%

The above chart is for illustrative purposes only and does not attempt to predict actual results of any particular investment. Past performance is no guarantee of future results. It is not possible to invest directly into an index.

Source: Morningstar Direct- US Large Cap is represented by the Russell 1000 Index; US Small Cap is represented by the Russell 2000 Index; International is represented by MSCI EAFE Index; Emerging Markets are represented by the MSCI Emerging Markets Index; Global Real Estate is represented by the S&P Global REIT Index; US Corporate Bonds is represented by the Bloomberg Barclays US Corp Bond Index; US Government Bonds is represented by the Bloomberg Barclays Aggregate Bond Treasury Index; International Bonds are represented by the Barclays Global Aggregate Bond ex USD Index. Returns as of 9/30/2024.

Past performance is no guarantee of future results. International investing involves special risks, including but not limited to, the possibility of substantial volatility due to currency fluctuation and political uncertainties. Diversification does not guarantee a profit nor protect against a loss. Large Cap refers to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term "large market capitalization." Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. International investing involves special risks, including, but not limited to, the possibility of substantial volatility due to currency fluctuation and political uncertainties. Emerging markets are sought by investors for the prospect of high returns, as they often experience faster economic growth as measured by GDP. Investments in emerging markets come with much greater risk due to political instability, domestic infrastructure problems, currency volatility and limited equity opportunities (many large companies may still be "state-run" or private). Also, local stock exchanges may not offer liquid markets for outside investors. Small cap stocks may be subject to a higher degree of risk than larger, more established companies' securities, including higher risk of failure and higher volatility. The illiquidity of the small-cap market may adversely affect the value of these investments so those shares, when redeemed, may be worth more or less than their original cost. Government bonds are guaranteed by the U.S. Government and if held to maturity, offer a fixed rate of return and fixed principal amount. Guarantee only applies to the timely payment of principal and interest and does not pertain to the portfolio or mutual fund, holding such securities. Values will fluctuate, and upon redemption, share values may be worth more or less than the original investment. Investments in high yield bonds entail higher risks, including greater credit risks. Their NAVs are sensitive to interest rate movements (a rise in interest rates can result in a decline in value of the investment). Upon redemption, share values may be worth more or less than the original investment. Corporate bonds are debt securities issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher. Treasury Inflation Protected Securities (TIPS) are a treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation. TIPS are considered an extremely low-risk investment since they are backed by the U.S. government and since their par value rises with inflation, as measured by the Consumer Price Index, while their interest rate remains fixed. The value of the shares of a REIT fund will fluctuate with the value of the underlying assets (real estate properties.) There are special risk factors associated with REITs, such as interest rate risk and the illiquidity of the real estate market. A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade. 10/15/2024