## GOELZER

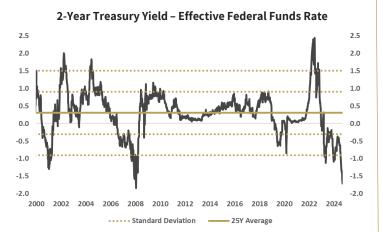
### The Descent Is the Hardest Part

This week the Federal Reserve will almost certainly join other major central banks in easing monetary policy. It has been a long time coming. The Federal Funds target rate reached its peak of 5.25% - 5.50% last July. Having indicated last month that "the time has come for policy to adjust," Fed Chair Jerome Powell has prepared markets for the initial decent.

As any seasoned mountaineer would tell you, a journey's most perilous point occurs when coming down. For monetary policy and for investors, the risk begins with the size of the first step. Will the Federal Reserve cut its target rate by a customary 0.25% or make a larger cut of 0.50%? Economic data could support both decisions.

We do not know how large this week's reduction in interest rates will be. What we know, however, is that markets have rallied over the last week in anticipation that this first step will be one of many. The 2-Year Treasury yield captures this anticipation succinctly; the spread between that rate and the Federal Funds effective rate is at its lowest level in over 15 years, a spread that reflects expectations that short-term interest rates will move sharply lower over the next two years. Last week's rally in U.S. stocks reflects similar expectations—both in the path of interest rates and careful execution of their initial descent.

#### CHART OF THE WEEK



Source: Bloomberg, through September 16, 2024.

		Index Returns (%)						Index Characteristics					
Equities		1 Week		YTD	1 Year	3-Year Ann.	NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld		
S&P 500	5633	3.01	3.48	19.30	28.43	10.00	23.7	16.8	3.0	1.7	1.3		
Russell 1000 Growth	3677	4.39	0.33	21.09	33.24	9.44	31.5	19.8	5.4	2.0	0.6		
Russell 1000 Value	1839	1.73	7.53	14.65	21.17	7.85	18.6	14.9	1.9	1.4	2.0		
FTSE High Dividend Yield*	445	2.02	7.02	15.40	21.61	10.01	14.1	14.2	1.6	1.6	4.0		
S&P Small and Mid Cap	17086	3.69	5.46	9.69	20.42	5.43	18.5	19.0	1.3	1.2	1.6		
MSCIEAFE	2413	1.67	4.79	10.84	18.30	4.30	14.8	14.7	1.5	1.1	3.1		
MSCIEM	1086	2.23	0.89	8.60	13.47	-2.24	13.0	12.6	1.4	1.3	2.7		

Index Detume (0/)

\* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

							Levels					
Fixed Income	Yield	1 Week		YTD	1 Year	3-Year Ann.	Currencies		1 Wk Ago	Prev YE	3 Yrs Ago	
U.S. Aggregate	4.13	0.67	6.00	5.08	10.60	-1.45	DXY	100.89	101.63	101.33	93.20	
U.S. Int. Gov/Credit	3.85	0.43	4.48	4.90	9.17	0.12	\$ per €	1.11	1.10	1.10	1.17	
U.S. Corporates	4.66	0.83	6.39	5.79	13.05	-1.41	\$ per £	1.32	1.31	1.27	1.37	
High Yield	7.08	0.55	4.56	7.43	13.89	2.76	¥ per \$	142.41	142.44	141.04	109.93	
Municipals (1-10)	2.89	0.14	2.45	1.72	5.53	0.31						

	Levels (%)						Levels					
Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	Commodities	Last	1 Wk Ago	Prev YE	3 Yrs Ago	
2-yr Treasury	3.55	3.60	4.76	4.25	5.06	0.22	Oil (WTI)	71.19	65.75	70.98	57.09	
10-yr Treasury	3.62	3.64	4.40	3.88	4.30	1.36	Gasoline	3.20	3.25	3.12	3.19	
30-yr Treasury	3.93	3.96	4.56	4.03	4.39	1.90	Natural Gas	2.32	2.23	2.51	5.11	
3-mo. LIBOR	5.12	5.21	5.59	5.59	5.67	0.12	Gold	2570	2517	2063	1754	
6-mo. CD rate	4.59	4.72	5.42	5.28	5.74	0.13	Copper	9173	8899	8464	9307	
Prime Rate	8.50	8.50	8.50	8.50	8.50	3.25	Wheat	576	559	628	709	
30-yr fixed mortgage	6.59	6.66	7.26	6.99	7.55	3.00	BBG Index	231.39	222.36	226.43	208.31	

#### LAST WEEK IN REVIEW

- Consumer Price Index (Aug.): 0.2%HL / 0.3%C (MoM), 2.5%HL / 3.2%C (YoY). Slight acceleration in core inflation from July unlikely to deter Fed from cutting rates.
- Producer Price Index (Aug.): 0.2%HL / 0.3%C (MoM), 1.7%HL / 2.4%C (YoY). In line with expectations, suggesting lower August PCE inflation than August CPI inflation.
- U. of Mich. Sentiment (Sept.): 69 slight improvement from July.

#### THIS WEEK

- Retail Sales (Aug.): 9/17
- Industrial Production (Aug.): 9/17
- Housing Starts & Permits (Aug.): 9/18
- FOMC Rate Decision & Forecasts: 9/18
- Leading Economic Indicators (Aug.): 9/13

# & P SECTOR RETURNS This Past Week

