BH | Beech Hill Advisors

September 30, 2024

Dear Clients,

All domestic equity markets advanced in September, improving quarterly gains, with the Dow Industrial Average leading, up by 8.2%, the S&P 500 rising 5.5% and the NASDAQ adding 2.6% for the trailing three months. The market rally broadened in the quarter with most sectors outperforming technology led by utilities, REITS, industrials, and financials, all improving by double digits. Stylistically, value and yield outperformed growth as investors have cooled on the valuations of AI and taken advantage of the discounts found in other segments. A favorable backdrop of declining interest rates, cooling inflation, and the ongoing "soft landing" economic scenario has investors embracing an invested posture. Year to date, all equity indexes remain positive with above average returns and performance differentials narrowing, with gains of 21.7%, 20.8% and 12.3% for the NASDAQ, the S&P 500, and the DJIA, respectively.

In September, the Federal Reserve began its long-anticipated rate cutting cycle, reducing the overnight Federal Funds Rate by 50 bps to a 5% target rate and indicated future actions will remain data dependent from one meeting to the next. The Fed has concluded that inflation has made substantial progress toward the 2% target and the labor market has shown signs of cooling. Although further acknowledging that the economic outlook remained uncertain and that there was balanced risk to both sides of its dual mandate (maximum employment and price stability). Expectations are for further rate cuts in the coming months to support economic growth and stabilize the labor market with timing and amount widely debated. The Ten-Year US Treasury yield declined from 4.34% to 3.80%, proportional to the rate cut and implications are positive for borrowing costs, investment, and overall economic activity.

Looking forward, we have a little more than a month to endure the presidential campaigning process and the finality of the election. As we have touched on in the past, election outcomes tend to have a knee jerk reaction in the short term but little long-term bearing on market returns. Continuing to invest in favorable businesses, regardless of which political party is in control, is the well-worn path to investment success.

We continue to experience a favorable soft landing for the economy. The expanded market breadth is an encouraging indicator of investor confidence and the double-digit S&P 500 corporate earnings in 2024 are forecasted to improve in 2025. All validate continued participation in the equity markets. We will continue to stay on course, maintaining exposure to secular growth themes such as AI as well as broadening our portfolios to include value and yield positions for diversification and to benefit from the ongoing sector rotation and projected decline in rates.

Risks on the horizon include the growing Mideast conflict which could send oil and subsequently inflation higher. The recently released massive Chinese stimulus package of liquidity may also create upward pressure on prices and inflation as we have experienced with our own stimulus measures. Any inflationary threat would cause the Fed to halt rate cuts or reverse course and raise rates with either to be negatively received in the market.

New to the Beech Hill team is Abby Marton, which if you concluded correctly from her last name is Veronica's daughter. As we manage portfolios with continuity between generations it would only be fitting that we also practice what we preach. She comes to us with an MBA from Quinnipiac University as well as varied experience in the financial industry. In her downtime she enjoys hiking and the theater.

As always do not hesitate to contact us if you have any questions. As we are nearing the end of the year, we will begin to minimize capital gains; if you or your accountant require an update please contact us directly. Enjoy the fall and a Happy Halloween!

Best regards,

Beech Hill Advisors