BIONDO PERSPECTIVES

THIRD QUARTER MARKET COMMENTARY

Joseph P. Biondo

Happy Fall! US equity markets advanced to new highs in the third quarter of 2024, primarily driven by the Federal Reserve's initiation of long-awaited interest rate cuts, as well as sector rotation across various industries. The S&P 500 posted a 5.9% gain, while the Dow Jones Industrial Average rose by 8.7%. The Nasdaq Composite, driven by technology stocks, managed a more modest gain of 2.8%, as investors shifted focus toward value stocks and smaller caps. International markets also saw a positive quarter, with the MSCI ACWI ex-US Index increasing by 8.1%, reflecting strength in both developed and emerging markets. In the fixed income sector, the Bloomberg Aggregate Bond Index rebounded strongly, up 5.2% for the quarter, as declining inflation and the Fed's easing of monetary policy boosted bond prices.

Investors were optimistic as monetary policy shifted. Unlike previous years, rising bond yields and inflation concerns were present but did not weigh heavily on the market's performance during the quarter. Instead, the markets maintained momentum through a supportive economic backdrop and anticipation of future earnings growth.

The sector performance across US equity benchmarks was very positive, marked by broader market participation and less reliance on the "Magnificent 7" tech giants. Utilities led with a 19.4% increase, benefiting from falling interest rates, which enhanced their attractiveness due to high dividend yields. The Healthcare sector also posted a solid 6.1% gain, supported by consistent demand for healthcare services and robust earnings from pharmaceutical and medical device companies. While Technology experienced a modest 1.6% gain, it remains one of the top-performing sectors year-to-date, along with Utilities.

Broader market participation and the shift away from reliance on the "Magnificent 7" is a positive sign. This diversification is crucial for reducing risk, as it makes the market less vulnerable to downturns in any single sector. It also indicates a more balanced and sustainable market, providing investors with greater opportunity across a wider range of industries.

Despite ongoing challenges, the Fed's rate cut, strong corporate earnings, and resilient consumer spending helped the market reach new highs. Job growth remained solid throughout the quarter, contributing to a stable labor market. The US economy added 254,000 jobs in September, which was higher than the average monthly gain of 203,000 over the prior 12 months.

The continued resilience of the labor market indicated that the economy remained robust, despite the Fed's aggressive tightening earlier in this cycle. This gave the Fed more confidence to implement a rate cut in September. This is the first rate cut since 2020, reducing the Federal

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Funds rate by 50 basis points. This decision was widely anticipated, and markets reacted positively, with gains accelerating towards the end of the quarter. While there is speculation about additional rate cuts, the Fed has signaled that any future reductions will be carefully measured and dependent on continued progress in inflation reduction. We believe that further cuts will likely be gradual, with market participants adjusting their expectations accordingly. The Fed's dual mandate of managing inflation and supporting maximum employment continues to guide its policy decisions.

The bond market's reaction to the Fed's rate cut was generally positive, with long-term yields stabilizing as investors anticipated continued easing of monetary policy. Rate-sensitive sectors, such as real estate and utilities, outperformed in Q3, buoyed by lower borrowing costs and strong investor demand for income-generating assets. While some volatility remains in the bond market, driven by mixed signals regarding future rate movements, the overall outlook has improved significantly.

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The September interest rate cut, like many before it, helped fuel gains, as rate cuts typically provide a boost to the market in the period that follows. If we look at the last 10 Federal Reserve rate cuts since 1981, 7 out of 10 resulted in positive stock market performance for the S&P 500 over both the 6-month and 1-year periods after. The three instances where the market posted negative returns following the cut—during the 1981-1982 recession, the dot-com bubble burst in 2001, and the housing market collapse in 2007—were rare economic events that led to severe financial downturns. These periods were marked by deep recessions, and rate cuts alone were not sufficient to immediately stabilize the market. On average, the 6-month S&P 500 return following a rate cut has been 4.9%, while the 1-year return averaged 6.2%, when including these times of recession. When not including these outlier periods, the market averaged a gain of 11.7% over 6 months, and 17.4% over 1 year. This demonstrates that in more typical economic slowdowns, rather than a deep recession, rate cuts tend to significantly boost stock market returns over time.

The ongoing conflict between Israel and its neighboring regions could have implications for global markets, particularly in sectors like energy, defense, and commodities. Historically, geopolitical tensions in the Middle East have led to spikes in oil prices due to fears of supply disruptions, which can affect both inflation and consumer spending. Rising energy costs can lead to higher transportation and production expenses for businesses, which in turn may pass onto consumers, ultimately challenging the Fed's goal of controlling inflation. In addition, the upcoming election may contribute to short-term market volatility, but historical data suggests that equity markets tend to stabilize after the election, regardless of which party takes office. As we move forward, staying agile in response to shifts in economic indicators and central bank policies will be vital.

Looking ahead, our outlook for the fourth quarter remains cautiously optimistic. While underlying economic data shows resilience, it is crucial for investors to maintain a balanced approach. We continue to focus on high-quality asset allocations, as the market continues to navigate uncertainty. Value stocks, in particular, seem well-positioned for growth as economic strength exceeds prior expectations. Additionally, portfolio diversification remains a cornerstone of risk management, especially in the face of potential volatility. We will be keeping a close eye on key catalysts, particularly the Fed's approach to interest rates, and conflicts abroad.

We remain committed to helping you navigate these evolving markets, ensuring your portfolio is aligned with emerging opportunities. Whether you are seeking advice, considering a strategy shift, or simply reviewing your current financial goals, our team is here to offer tailored insights to meet your unique needs. As always, we value your trust and partnership, and we remain fully dedicated to supporting you through every phase of your financial journey. Please reach out with any questions or to schedule a portfolio review.

Joseph P. Biondo
CEO, CIO & Portfolio Manager

Sources: Index and sector returns – Bloomberg, Nasdaq; Market outlook – Nasdaq, Winthrop Wealth; Federal Reserve and economic data – JP Morgan, US Bureau of Labor Statistics; Rate cut statistics – PinPoint Macro Analytics

CYBERSECURITY MONTH

This October marks the 21st annual Cybersecurity Awareness Month! The Cybersecurity & Infrastructure Security Agency (CISA) has partnered with the National Cybersecurity Alliance (NCA), with the goal of educating individuals and businesses on various cyber threats and best practices for online safety.

The continuing theme of Secure Our World highlights four simple ways that we can stay safe online:

1. Recognize and Report Phishing
2. Use Strong Passwords
3. Turn on Multifactor Authentication
4. Update Software

Biondo Investment Advisors promotes these key behaviors to protect yourself and others, while building a safer, more secure digital world. Visit the cybersecurity page of our website for more information on our cybersecurity program, as well as to access helpful resources, at www.thebiondogroup.com/cybersecurity.

Source: CISA.gov

DOLLAR COST AVERAGING

Joe Daly
Wealth Advisor

Dollar cost averaging (DCA) is an investment strategy, already built into most 401(k) plans, where you regularly invest a fixed amount of money into an asset, such as stocks or mutual funds, regardless of the asset's price at the time. This approach can be particularly important during a down market (when prices are falling) because it can help reduce the impact of market volatility on your portfolio and lower your average cost per share over time. Here's why this strategy can be beneficial in helping to manage risk and develop discipline:

1. Mitigating the Impact of Market Volatility

In a down market, prices fluctuate more frequently. By investing consistently, you spread your purchases across both higher and lower price points. When prices are down, your fixed investment amount buys more shares, and when prices rise, you buy fewer shares. This helps smooth out the effect of price swings.

2. Lowering the Average Cost of Investments

One of the major advantages of DCA during a down market is the opportunity to buy more shares at lower prices. As a result, the average cost per share of your investment can be reduced over time. This sets the stage for potentially greater gains when the market recovers and prices increase.

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3. Reducing Emotional Decision-Making

During periods of volatility, investors often panic and make emotional decisions, such as selling assets at a loss or halting their investments. DCA encourages discipline and consistency, helping investors stay the course and avoid attempting to time the market, which is notoriously difficult.

4. Benefiting from Market Rebounds

Markets tend to recover over time. By accumulating more shares at lower prices during a downturn, your portfolio can experience more significant growth during an eventual rebound. Historically, stock markets recover from downturns, so continuing to invest during a decline positions you to capitalize on future gains.

5. Long-Term Wealth Building

DCA is a long-term strategy. By sticking with a regular investment plan through both up and down markets, you build wealth gradually, which can significantly impact your portfolio's overall growth over the years. This approach aligns well with long-term financial goals like retirement.

Example:

• Down Market Scenario: Suppose you invest $500 every month into a stock fund. If the market price falls, your $500 buys more shares. For example, if the price drops from $50 to $25 per share, you double the number of shares you buy.

•Recovery: As the market recovers, the value of those shares rises, amplifying the value of the shares you bought at lower prices.

Key Takeaway:

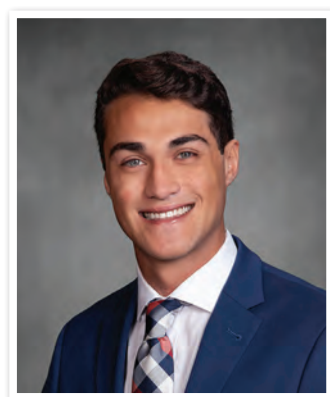
Dollar cost averaging can potentially help you to take advantage of market opportunities, reduces the risk of poor timing, and helps build a more robust portfolio over the long term. While it doesn't eliminate risk, it helps manage it, particularly during periods of high volatility.

As always, it's important for investors to find the right strategy for their own situation and needs. As with any investment strategy, there are risks to consider and there is no guarantee the strategy will be profitable. Consult with your Wealth Advisor to find out which strategy is appropriate for you.

BIONDO UPDATES

Welcome Anthony Esposito

We are delighted to announce Anthony Esposito has joined our team as a full-time Research Assistant. He will utilize his knowledge and technical skills to provide relevant information and data to assist the Portfolio Managers with investment research.



Anthony has been with the firm as an intern since September 2023 while completing his Master's Degree in Computer Science at Stevens Institute of Technology. He earned a B.S. in Microbiology with minors in Chemistry and Psychology from the University of Miami. He is currently studying for his Chartered Financial Analyst (CFA®) designation.

As a resident of Sparta, NJ, Anthony enjoys fitness, sports and chess.

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