Market Update

ROAN CAPITAL PARTNERS

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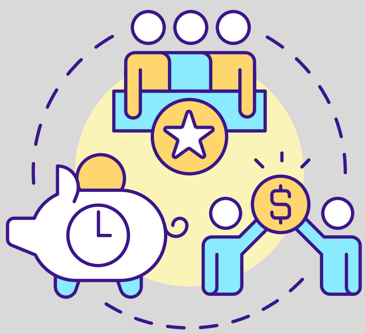
This week in the markets...

Last week saw volatility reignited in the US stock markets and the US bond markets as the US 10-year Treasury Note, and in truth the whole yield curve, continued to back away from the lows of September. The US10Y yield is now at 4.27%, and the higher yields and corresponding borrowing costs also affect the stock markets. Last Friday, October Durable Goods Orders came in better than expected at -0.8%. Headline Durable Goods were better than the -1.0% estimate, and equal to the big downward revision (0.0% reported) in September. Ex-transportation, this springs back to life: +0.4%, though down from the upwardly revised +0.6% the previous month. Non-Defense, ex-aircraft (a proxy for “regular” business spending) reached +0.5% last month. Steady as she goes. Shipments was the only real scuff mark: -0.3%, down 20 basis points (bps) from the August’s -0.1% (*Vickery, 2024*).

Earnings season continues this week and expectations are for the current mixed results trend to continue. Positive earnings surprises reported by S&P 500 companies have been offset by significant downward revisions to EPS estimates for a few companies in three sectors. On a year-over-year basis, the index is reporting earnings growth for the fifth-straight quarter. However, the S&P 500 is also reporting its lowest (year-over-year) earnings growth rate since Q2 2023 (*Butters, 2024*).

	10/28/23	1/1/2024	10/28/24	12 MO ROR	YTD ROR
DOW	33,305.77	37,566.22	42,114	27.48%	11.74%
S&P 500	2,024.08	4,745.2	2,808	38.73%	21.77%
NASDAQ	12,816.39	14,873.7	18,512	44.44%	23.36%



The blended earnings growth rate for the third quarter is 3.6% today, compared to an earnings growth rate of 3.0% last week and an earnings growth rate of 4.3% at the end of the third quarter (September 30). If 3.6% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of year-over-year earnings growth for the index. However, it will also mark the lowest earnings growth rate reported by the index since Q2 2023 (-4.2%). Looking ahead, analysts expect (year-over-year) earnings growth rates of 13.4%, 13.4%, and 12.6% for Q4 2024, Q1 2025, and Q2 2025, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 9.3%. For CY 2025, analysts are predicting (year-over-year) earnings growth of 15.2% (*Butters, 2024*).

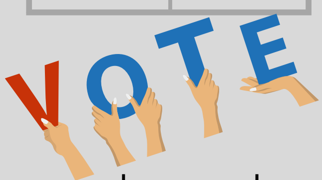
In international news, the Israeli Defense Force (IDF) hit twenty targets in Iran on Friday evening as retaliation for the missile attack conducted by Iran on October 1. The IDF targeted military targets and reportedly killed four Iranian soldiers, however, the attack was more contained than feared. Israel did not attack oil production or distribution facilities or the Iranian nuclear production facilities (*Bennett, 2024*). Oil futures (WTI) fell more than 4% on Sunday night (down to 68.76/brl) in relief regarding the restrained Israeli response *(CNBC , 2024*).

U.S. Treasury Bond Yields

as of 10.28.2024

US1MO	4.77%
US3MO	4.65
US6MO	4.54
US1Y	4.34
US2Y	4.14
US3Y	4.08
US5Y	4.09
US10Y	4.27
US30Y	4.53

This week I expect the markets to remain in a sort of holding pattern, reacting to extreme earnings outperformance and underperformance as reports are made, but continuing to focus (as we all are) on the US presidential election. As we close on the final week of the election cycle the race continues as a dead lock in the national popular vote (Trump +.01% in the RCP polling average), and the majority of the battleground states in nearly the same state (all within the margin of error). While the election remains very tight it appears that Former President Trump has momentum going into the final days.



I will reiterate that I don't think the market cares who wins, as long as we know who wins on election night. If the election isn't over on November 6, I believe the markets (all markets) will react.

Sources:

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