MONTHLY CIO VIEW | SNAPSHOT

RAYMOND JAMES

October 2024

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Recent Trends

Economy

- Inflation fell to a 2.5% YoY pace—allowing policymakers to shift their focus to the labor market.
- China unveiled its biggest stimulus package since the pandemic as downside growth risks mount.

Equities

- The S&P 500 rose for the 5th consecutive month, with market leadership broadening beyond mega-cap tech.
- Chinese stocks surged following new stimulus, and spillover effects pushed EM equities to two-year highs.

Fixed Income

- The Fed kicked off its easing cycle after a 14-month hold, cutting rates by an upsized 50 bps in September.
- Treasurys posted their fifth straight month of gains, driving the 2-year/10-year yield curve to uninvert.

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Commodities & Currencies

- Oil prices fell to a more than a one-year low due to record US production, rising inventories and softer Chinese demand.
- The US dollar (-4.8% QoQ) saw broad-based weakness as markets priced in an aggressive Fed easing cycle.

Key Year-End And 12-Month Forecasts and Views

ECONOMY

US GDP: +2.0%

We lifted our 2024 forecast to 2.6% due to the economy's resilience. While slowing job growth should dampen consumer spending in the months ahead, Fed cuts, business capex, and fiscal spending should keep the economy on a path for a soft landing. 2025 GDP should slow to 2.0%.

BOND MARKET

10-Yr Treasury: 4.0%

Fed easing cycles have historically led to lower bond yields. However, we expect the 10-year Treasury yield to remain stable around 4.0% over the next 12 month as concerns about the US's fiscal health limit further declines. We favor high quality corporates and municipal bonds.

EQUITIES

S&P 500: ~5,850

Election uncertainty and elevated valuations could see a near-term pullback; however, we remain optimistic longer term. We maintain our 5,400 year-end target and expect 5,850 ($265 EPS, 22x P/E) in 12 months. We favor Tech, Health Care, Industrials, small caps, and US equities.

DOLLAR

EUR/USD: 1.10

Shifting interest rate differentials should remain a key factor driving the direction of the US dollar. We expect the euro to trade in a 1.05-1.15 range vs. the USD over the next 12 months, while the Japanese yen strengthens as rate differentials with the US narrow.

OIL

Oil: ~$75/barrel

We lowered our 12-month forecast for WTI to $75/bbl due to worsening supply-demand imbalances. Weak demand from China should keep a lid on prices despite rising geopolitical risks. Any escalations in the Middle East that threaten supply could lead to temporary price increases.

VOLATILITY

Higher

Volatility should remain elevated in the near term amid rising geopolitical tensions, overly optimistic earnings expectations, and election uncertainty. However, volatility should subside once the results of the election are known.