

OBSERVATIONS

- The S&P 500 hit a new record high last Friday after gaining +0.9% for the week. This was the index's sixth consecutive week of gains and longest weekly win streak of 2024. Small caps (Russell 2000) gained +1.9%, while the yield on the 10-year Treasury fell -2 basis points to end the week at 4.08%.¹
- Retail sales came in better than expected in September with sales improving +0.4% month-over-month (MoM)—expectations were for only +0.3%—and excluding auto and gas, sales were up even more at +0.7% MoM. Compared to the first nine months of 2023, retails are up 3.0% year over year (YoY).¹
- Initial jobless claims fell from 260k in the previous week to 240k in the most recent week. Readings are expected to remain volatile given hurricanes Helene and Milton's impact. The 4-week moving average rose to 236k, the highest in eight weeks—still well below the 40-year average of 377k.¹
- Industrial production fell in September by -0.3% MoM—which was worse than expectations—capacity utilization fell to 77.5% and industrial production numbers for August were revised lower. Compared to last year, industrial production in September was -0.6% lower YoY.¹
- The Cass Freight index (rail, trucking, air, and waterborne shipments) shows that the overall US shipping market is down -6.6% YoY, with freight volumes down about -5.2% YoY and freight prices down -1.4% YoY. This slowdown in the US freight market is consistent with softness in the US manufacturing PMIs (see [RC 7-Oct](#)) as well as a modest decline in industrial production in 2024 compared to 2023.²

EXPECTATIONS

- The European Central Bank (ECB) lowered its policy rate by -25 basis points (bps) to 3.25%, the third -25 bps cut for the ECB this year. The ECB noted that the disinflationary process was “well on track” and that recent inflation measures had improved the ECB's confidence that inflation was headed to their 2.0% goal.¹
- US real GDP for Q3 is tracking 3.4% according to Federal Reserve Bank of Atlanta's GDPNow data, which even after considering margin of error is likely to be better than the current consensus estimates of 2.1%.¹
- Q3 earnings season kicked off, and with just 14% of S&P 500 companies having reported results, 79% have reported better than expected earnings. During this week, 112 S&P 500 companies will report results. Overall, for Q3, the 'Magnificent 7' mega cap technology companies are expected to see their earnings grow by 18.1% YoY, with the remaining S&P companies expected so see their aggregate earnings flat YoY.³

ONE MORE THOUGHT: The Race is Still Too Close to Call, But Momentum Is Shifting Towards Trump.⁴

The election is only 15 days away and generally it is still too close to provide any confident prediction as to the outcome. As we have written about in the past (see [RC 16-Sep](#)), the election is likely to be determined by a handful of swing states—Arizona, Georgia, Michigan, Nevada, N. Carolina, Pennsylvania, and Wisconsin. There has been some movement in the polls of Vice President Harris versus former President Trump in these key states since we last examined them in detail in mid-September. Since Harris and Trump met in their first debate in early September, the two candidates have crisscrossed these seven swing states in the hopes of making their case for the presidency and there is some evidence that momentum is shifting towards the Trump campaign. An average of polls from mid-September had Trump with less than a 1 percentage-point lead in the average of most polls in

¹ Bloomberg LP, 10/18/2024

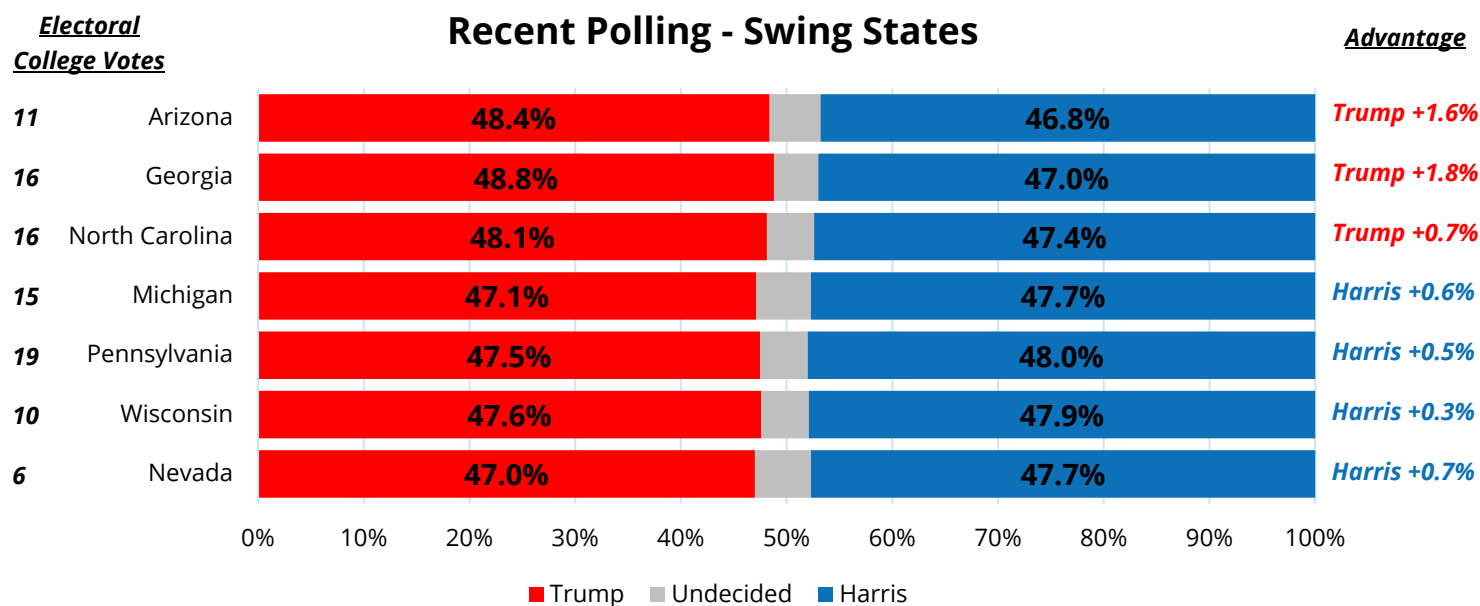
² <https://www.cassinfo.com/freight-audit-payment/cass-transportation-indexes/september-2024>

³ Factset Earnings Insight, 10/18/2024

⁴ [Projects.fivethirtyeight.com](https://projects.fivethirtyeight.com)

Arizona, Georgia, and North Carolina. By mid-October, his lead in these states is now over 1 percentage-point. Similarly, in mid-September, Harris had a greater than 1 percentage point lead in most polls in Wisconsin and Michigan which is now less than 1 percentage-point. While these changes may seem minor—and within the margin of error for both candidates—they reflect some shifting momentum in these key swing states. Furthermore, in recent past elections in 2016 and 2020, polling in key swing states, particularly in the Midwest, tended to underestimate Trump’s ultimate election support. For instance, in 2020 then-candidate Biden was polling about 5 percentage-points ahead of Trump in the weeks before the vote in Pennsylvania, but ultimately only won the state by 1 percentage-point. A similar trend occurred in Michigan and Wisconsin in 2016 when Clinton looked to have a few percentage-point lead in the polls but ultimately lost both states to Trump. Pollsters have attempted to correct for the under-counting of votes, but it remains a possibility that current polling may underestimate Trump support in key states. Nonetheless, with the polling showing a tight race, turnout of either parties’ base may matter more than who leads who in the polls. Additionally, given the likely close nature of the vote, the winner is unlikely to be fully known on Wednesday (6-Nov) morning. Many states may need to count absentee or mail in ballots that could take several days before they can certify their vote, and some states may be so close that mandatory recounts would be triggered. All this suggests that days of clear presidential winners are a thing of the past.

CHART OF THE WEEK



Source: Clearstead, <https://projects.fivethirtyeight.com/polls/10/17/2024>

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