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**OCTOBER 7, 2024 | 8:48 AM EDT**

**Morning Brew --- October 7, 2024**

The S&P 500 futures are down 24 points and are trading 0.4% below fair value, the NASDAQ 100 futures are down 110 points and are trading 0.6% below fair value, and the Dow Jones Industrial Average futures are down 161 points and are trading 0.4% below fair value.

Stock futures are lower after Friday's strong jobs report fueled a rally in equities. The labor market data also led participants to rethink how aggressive the Fed will be with rate cuts.

Pre-open losses in some mega cap names have weighed down contracts linked to the Dow industrials, S&P 500, and NASDAQ 100. Rising market rates are another contributing factor. The 10-yr yield is up two basis points 4.00% and the 2-yr yield is up six basis points to 3.99%.

**U.S. Equity Futures:**

- S&P 500 Futures: -27 @ 5,773
- DJIA Futures: -172 @ 42,474
- NASDAQ Futures: -129 @ 20,099

**Overseas:**

- Europe: DAX -0.2%, FTSE +0.5%, CAC +0.2%
- Asia: Nikkei +1.8%, Hang Seng +1.6%, Shanghai Composite HOLIDAY

**Also In Today's Report:** Energy

Indices	Close	1 Day	3 Mo	YTD	12 Mo
S&P 500	5751.07	0.90%	3.30%	20.57%	33.48%
Dow Jones	42352.75	0.81%	7.56%	12.37%	26.78%
NASDAQ Composite	18137.85	1.22%	-1.17%	20.83%	35.04%
Russell 2000	2212.80	1.50%	9.18%	9.16%	26.77%
NYSE Alerian MLP	289.52	0.19%	-0.18%	13.84%	20.31%
Barclays Inter. G/C Bond	106.06	-0.56%	1.90%	1.24%	5.47%
MSCI The World	3698.41	0.61%	3.28%	16.70%	29.99%
MSCI EAFE	2413.03	-0.29%	2.06%	7.91%	21.04%
MSCI Emerging Markets	1179.34	0.54%	6.74%	15.20%	25.82%
Euro Stoxx	4956.08	0.02%	-0.47%	9.61%	19.58%
China CSI 300	4017.85	8.48%	17.10%	17.10%	8.90%

S&P Sectors					
Consumer Discretionary	1589.97	1.62%	2.70%	12.12%	26.12%
Consumer Staples	873.04	0.22%	5.40%	14.52%	23.92%
Energy	717.98	1.07%	4.15%	12.18%	9.32%
Financials	759.61	1.64%	9.99%	21.28%	38.27%
Health Care	1769.06	0.08%	5.05%	11.24%	16.75%
Industrials	1146.22	0.63%	11.69%	18.81%	34.45%
Information Technology	4380.83	0.99%	-2.82%	28.96%	46.46%
Materials	599.28	-0.11%	8.18%	11.06%	22.08%
Real Estate	273.09	-0.65%	13.59%	8.55%	29.71%
Communication Svcs.	318.99	1.20%	-1.03%	29.67%	39.30%
Utilities	413.01	-0.17%	18.59%	28.30%	42.17%

Commodities					
Commodity Index	102.31	-0.23%	0.96%	3.72%	-1.39%
Crude Oil (\$/bbl)	76.26	0.91%	-7.37%	6.43%	-11.72%
Natural Gas (\$/btu)	2.82	-3.91%	19.06%	12.05%	-16.56%
Gold (\$/ozt)	2658.88	-0.09%	12.71%	28.89%	42.84%

Currencies					
US Dollar per Euro	1.10	-0.52%	1.62%	-0.55%	4.05%
USD / China Renminbi	0.14	-0.11%	3.55%	-1.15%	3.90%

Sovereign Bond Yields		5 Yr Avg	30 Yr Avg
U.S. 10-Year Treasury	4.00	2.57	3.76
U.S. 10Yr - 2Yr Spread	0.08	10Yr - 3Mo Spread	-0.61

S&P 500 Metrics		5 Yr Avg	15 Yr Avg
Dividend Yield	1.33	1.62	1.94
P/E Ratio - Next 12 Mo.	24.22	21.46	17.94
P/E Ratio - Last 12 Mo.	26.24	23.16	19.46

Returns are Price Only, in US Dollar terms

Sources: Briefing.com, Bloomberg, Gibbs Capital Management

Markets bounced off of support on cue Friday with a 1.22% gain in the NASDAQ, a 0.90% gain in the S&P 500, and a +0.81% gain in the Dow. 9 of 11 sectors were higher with Financials (+1.64%) and Consumer Discretionary (+1.62%) leading the way, while Real Estate (-0.65%), and Utilities (-0.17%) lagged. Strength from Friday has not carried over into the futures market as prices are lower by ~40-70bps this morning. The payrolls number on Friday came in at 254k vs the survey of 150k, and unemployment was lower than expected. The stronger-than-expected jobs numbers have caused investors to rethink how aggressive the Fed will be at the next meeting. Just a week ago, Fed Funds futures were showing a 40% chance of a 50bp cut, and a 100% chance of a 25bp cut in November. As of this morning, odds are showing a 0% chance of a 50bp cut, and a 90% chance of a 25bp reduction. The 10yr and 2yr Treasury yields have moved back above 4% for the first time since August. According to Bloomberg, the shifting rate expectations could weigh on equity markets, which have rallied to record highs recently amid signs of a robust US economy, easing inflation, and big rate cuts. In addition, crude oil prices pushed higher to approach \$80 a barrel, as investors await Israel's response to the recent Iranian missile strike. If prices continue to grind higher, watch for potential resistance at 5927. If prices pull back, watch for support at 5670 and then 5560.



**Today's U.S. Economic Data (Briefing.com)**

- 15:00 ET: Consumer Credit for Aug (Briefing.com Consensus \$12.7B; Prior \$25.5B)

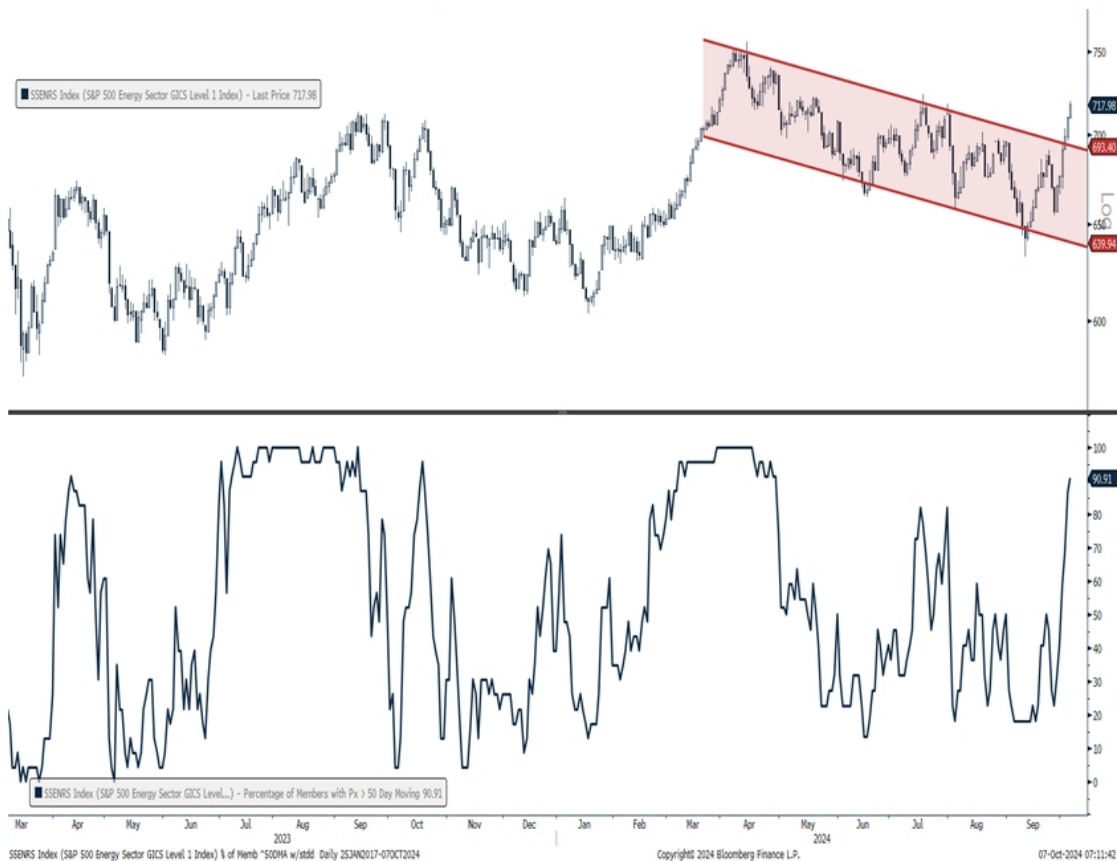
**Overseas Overnight Summary (Briefing.com)**

- Equity indices in the Asia-Pacific region began the week on a mostly higher note while markets in China remained closed for one more day and Australia's bond market was closed as well. Japan's Nikkei: +1.8%, Hong Kong's Hang Seng: +1.6%, China's Shanghai Composite: HOLIDAY, India's Sensex: -0.8%, South Korea's KOSPI: +1.6%, Australia's ASX All Ordinaries: +0.7%.
  - In economic data:
    - China's September FX Reserves \$3.316 trln (expected \$3.30 trln; last \$3.288 trln)
    - Japan's August Leading Index 106.7 (expected 107.2; last 109.3) and Coincident Indicator -3.7% m/m (last 3.1%). September FX Reserves \$1.25 trln (last \$1.24 trln)
    - South Korea's September FX Reserves \$419.97 bln (last \$415.92 bln)
    - Hong Kong's September FX Reserves \$422.80 bln (last \$423.50 bln)

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- Singapore's September FX Reserves \$389.8 bln (last \$384.6 bln)
  - Australia's October MI Inflation Gauge 0.1% m/m (last -0.1%)
  - o In news:
    - Officials from China's National Development and Reform Commission will speak to the press about stimulus measures tomorrow.
    - Press reports from China have indicated some growth in home sales during the recent holiday week.
    - Bank of Japan's quarterly regional economic report maintained its view of seven regions while the assessment for two regions increased.
    - The Reserve Bank of New Zealand shadow board is split regarding the size of the expected rate cut on Wednesday.
  - Major European indices trade on a mostly higher note. STOXX Europe 600: UNCH, Germany's DAX: -0.2%, U.K.'s FTSE 100: +0.5%, France's CAC 40: +0.2%, Italy's FTSE MIB: +0.2%, Spain's IBEX 35: +0.8%.
    - o In economic data:
      - Eurozone's October Sentix Investor Confidence -13.8 (expected -14.6; last -15.4). August Retail Sales 0.2% m/m, as expected (last 0.0%); 0.8% yr/yr (expected 1.0%; last -0.1%)
      - Germany's August Factory Orders -5.8% m/m (expected -1.9%; last 3.9%)
      - U.K.'s September Halifax House Price Index 0.3% m/m (expected 0.2%; last 0.3%); 4.7% yr/yr (last 4.3%)
    - o In news:
      - European Central Bank policymaker Villeroy de Galhau said that the ECB is likely to cut rates again in October due to the rising risk of undershooting the 2.0% inflation target.
      - Germany's Economy Ministry expects that domestic GDP will contract 0.2% in 2024.
      - The chief of staff for British Prime Minister Starmer resigned as part of a cabinet reshuffle.

# Energy

The latest conflict in the Middle East has pushed energy prices higher, breaking out of a down-channel that started in April, and the percentage of members above their 50DMA has moved to the highest level in more than 5 months. Watch for a higher low and higher high to form in the coming weeks to establish a trend change.



Sources: Briefing.com, FactSet, Bloomberg Charting Platform, Gibbs Capital Management

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### Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

**Europe: DAX** (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

**Asia: Nikkei** is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.