

THINGS TO WATCH

Financial Sector Earnings

When Bank of America (BAC) reports quarterly results tomorrow morning, net interest income growth, investment banking fees, and any meaningful changes to loan loss reserves will be closely analyzed. Morgan Stanley's (MS) wealth management inflows and dealmaking-related revenue will be in focus Wednesday morning. On Friday, credit-card delinquency trends in American Express' (AXP) disproportionately higher-income customer base could shed light on the resiliency of consumer spending heading into the holiday season.

September Retail Sales

Retail sales data on Thursday will likely show headline U.S. consumer spending on a goods-heavy basket of items grew 0.2% last month, up from 0.1% in August. Control group retail sales, which exclude spending on cars, gasoline, food services and building materials, are expected to have risen 0.3% last month (the same as August), boosted by demand for essential items. Adjusted for inflation, September control group sales of 0.1% would indicate solid but not exceptional household demand.

Prologis

We'll be looking for signs of stabilization in the industrial warehouse REIT's core business Wednesday in the form of improved rent growth and lower vacancy rates. Demand for Prologis' (PLD) warehouse and logistics facilities slowed in 2023 and 2024 following a scramble for industrial space in the first few years of the pandemic. PLD's numbers and commentary could provide useful clues about U.S. consumer spending momentum on goods given the company's large multi-market customers including Amazon.com, Home Depot, and FedEx.

Japanese Inflation

Overnight Thursday, Japan's October consumer price index is expected to show annual price levels rose 2.5% last month in the world's third-largest economy. An upside surprise could drive markets to price another Bank of Japan rate hike and spark global currency volatility.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	91.5	91.5	-
Consumer Price Index (Y/Y)	2.4%	3.0%	▼
Core Consumer Price Index (Y/Y)	3.3%	3.3%	-
Producer Price Index (Y/Y)	1.7%	2.5%	▼
U. of Mich. Consumer Sentiment	68.9	66.4	▲
U. of Mich. 1-year Inflation Expectations	2.9%	2.9%	-

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	42863.86	1.22%	15.42%	29.32%
NASDAQ	18342.94	1.13%	22.89%	35.36%
S&P 500	5815.03	1.13%	23.24%	34.77%
MSCI EAFE	2409.40	-0.30%	11.15%	21.77%
BB U.S. Aggregate	2225.62	-0.46%	3.03%	9.68%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.63%	5.00%	5.49%
10-Year Treasury	4.09%	3.65%	4.56%

REPORTS DUE THIS WEEK	LATEST
Retail Sales (M/M)	0.1%
Continuing Jobless Claims (Thousands)	1,826
Industrial Production (M/M)	0.8%
Housing Starts (Millions Annualized)	1.36
Building Permits (Millions Annualized)	1.47

Total returns are as of 10/11/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

3.95%

In the first three quarters of 2024, the S&P 500 delivered a 22.08% total return, marking the 15th time in the 55 years since 1970 the index's return has exceeded 15% in the opening nine months of the year. The S&P 500's average fourth quarter return in the 14 years since 1970 that it recorded a 15%-plus return in the first three quarters of the year is 3.95%. The only year the index suffered a negative fourth quarter return was 1987, driven by the Black Monday crash.

904

The KBW Bank Index closed at a 30-month high of 119.21 last Friday, its highest level in 904 days dating back to April 21, 2022 (just five weeks after the Federal Reserve's initial rate hike of the prior cycle). Since mid-June, bank stocks have been among the top performing industry groups in the U.S. market. They have benefited from expectations that lower long-term interest rates will relieve pressure on their balance sheets, while lower short-term rates driven by Fed rate cuts could support their net interest margins.

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