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Highland ReCAP

A Review of Capital Markets

September 2024

Summary

Markets rallied across the board in September as the Federal Reserve made good on a well-telegraphed rate cut, trimming the Fed Funds rate by 50 basis points. The 2-year Treasury rate dipped below the 10-year yield for the first time since the summer of 2022, U.S. stocks marched higher, and the dollar weakened, providing a boost to foreign markets.

Equities

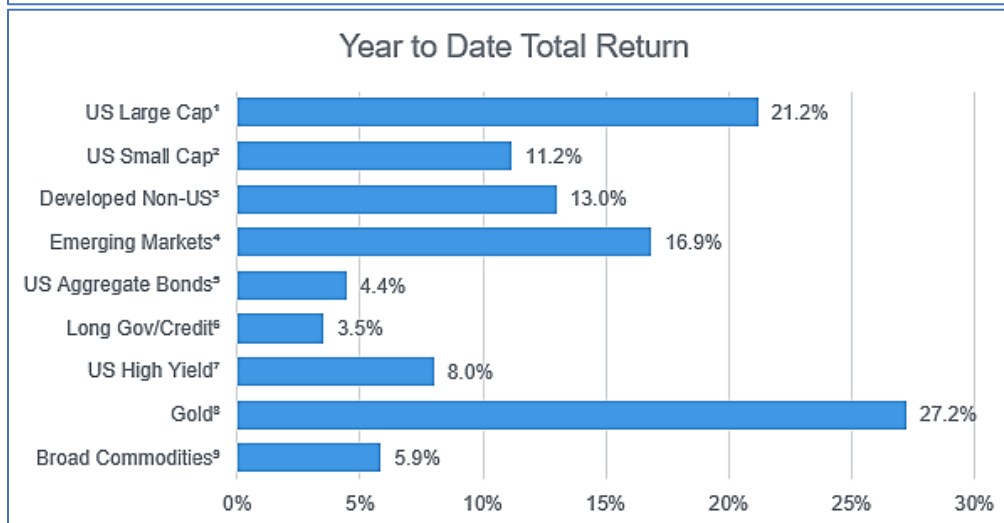
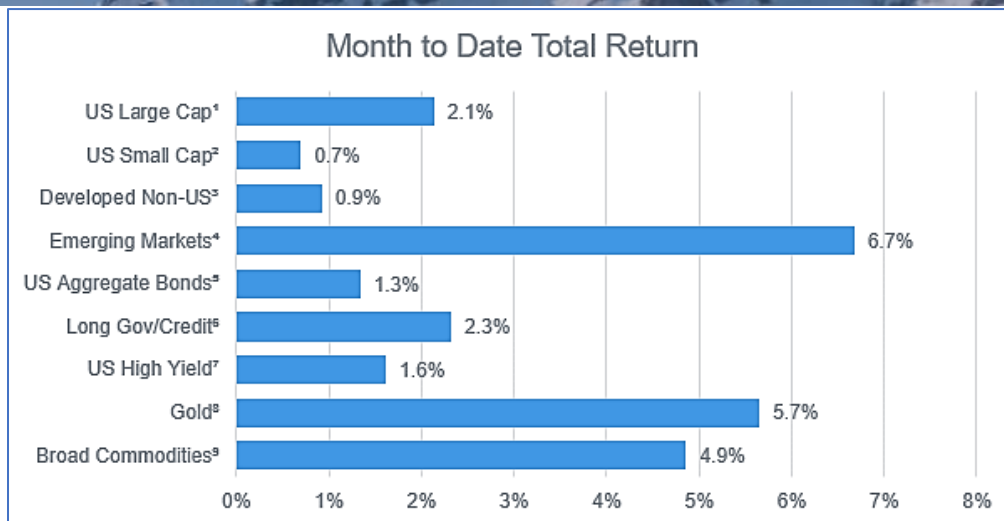
U.S. stocks continued to climb higher in September, with the realization of a Fed pivot, resulting in a brief profit-taking pause, followed by steady gains to close the month 2% higher. Small caps and developed international stocks saw modest gains while a late-month boom in Chinese stocks boosted the emerging markets index returns 6.7%.

Fixed Income

Fixed income markets saw positive returns thanks to a rates-driven tailwind. U.S. interest rates eased in September with the long-anticipated Fed rate cut, unwinding a longstanding yield curve inversion. While the 10-year Treasury yield shifted a fairly moderate 12 basis points lower, short rates saw declines near 40 basis points from August levels. Credit spreads remained rangebound and high yield outperformed investment grade bonds.

Market Trends

As of September 30, 2024



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	2.1%	6.1%	21.2%	35.7%	10.8%	15.6%	13.1%
US Small Cap ²	0.7%	9.3%	11.2%	26.8%	1.8%	9.4%	8.8%
Developed Non-US ³	0.9%	7.3%	13.0%	24.8%	5.5%	8.2%	5.7%
Emerging Markets ⁴	6.7%	8.7%	16.9%	26.1%	0.4%	5.7%	4.0%
US Aggregate Bonds ⁵	1.3%	5.2%	4.4%	11.6%	-1.4%	0.3%	1.8%
Long Gov/Credit ⁶	2.3%	8.0%	3.5%	17.2%	-6.2%	-2.0%	2.3%
US High Yield ⁷	1.6%	5.3%	8.0%	15.7%	3.1%	4.7%	5.0%
Gold ⁸	5.7%	12.9%	27.2%	41.7%	14.0%	11.3%	7.2%
Broad Commodities ⁹	4.9%	0.7%	5.9%	1.0%	3.7%	7.8%	0.0%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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FTSE Russell

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