CAPITAL VIEW INVESTMENT GROUP

Advisors with D.A. Davidson & Co. member SIPC

Quarterly Newsletter

D|A|DAVIDSON

The Fed finally cut rates…now what?

Happy fall to each of you! We hope that you had a wonderful summer! On September 18th, 2024 the Federal Reserve (the Fed) implemented it's first rate cut in nearly four years, reducing the benchmark federal funds rate by 0.50%. The decision was made as recent economic indicators have shown that inflation is moderating and the labor market is weakening.

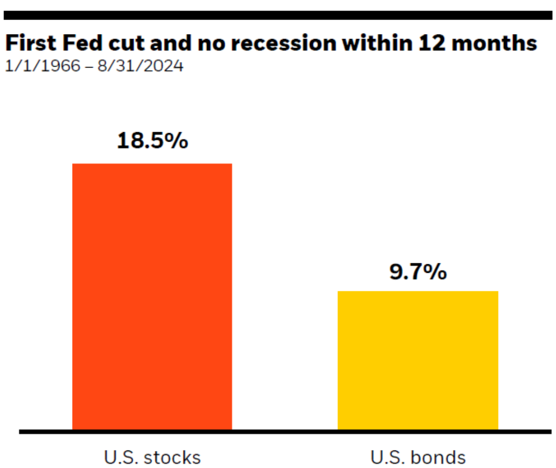
Federal Reserve Chair, Jerome Powell, made the following statement at a news conference following the announcement of the 50 basis point cut: "We're trying to achieve a situation where we restore price stability without the kind of painful increase in unemployment that has come sometimes with this inflation. That's what we're trying to do, and I think you could take today's action as a sign of our strong commitment to achieve that goal." The Federal Open Market Committee (FOMC) indicated through it's "dot plot" projection map that beyond the initial half percent rate reduction that just took place, they are expected to make cuts totaling another two percent between now and 2026. (https://www.cnbc.com/2024/09/18/fed-cuts-rates-september-2024-.html)

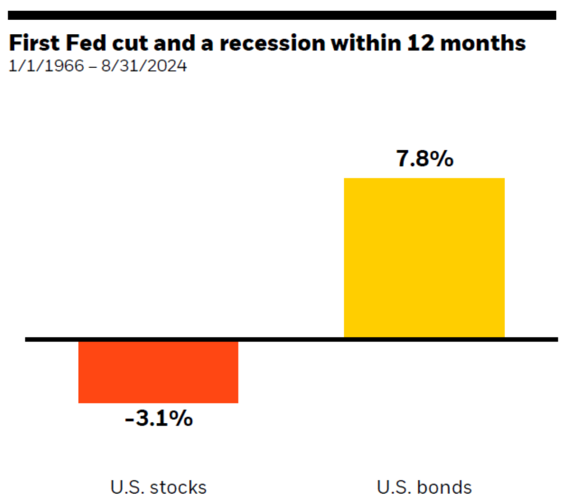
With the first of several rate cuts behind us, the question becomes, what does this mean for you and your portfolio? There are also still varying schools of thought on if we are going to see a recession or achieve a "soft-landing" by the Fed and avoid one altogether.

With these thoughts in mind, we wanted to share the charts below that highlight a couple of interesting statistics when looking at both the stock and bond markets going back to January 1966 through August of this year.

If we avoid a recession in the next year, the chart on the left suggests that stocks are poised to do very well, as they have historically risen 18.5% following the first rate cut with no recession – while bonds have also performed positively notching nearly a 10% return in the same situation.

The chart on the right paints a different picture for stocks if we were to encounter a recession in the next 12 months, but bonds have demonstrated their strength as a ballast to offset some of the risk of stocks during such times.





Source: BlackRock, "Student of the Markets" September 2024

As always, we cannot guarantee future results based on historical data, but we find these observations noteworthy as we enter into this new easing cycle from the Fed.

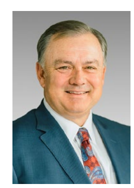
While markets may be volatile as we draw closer to the election and digest ongoing economic updates, we remain committed to managing your money with a disciplined and thoughtful approach, balancing opportunity with risk management. If you have any questions about your portfolio or would like to review your financial plan, please don't hesitate to reach out to us. Thank you for your continued trust.

Best Regards, Mark, Brad T., Drew, Brad H., Renee & Erin

Mark Hansen, CRPC®, CWS®
Senior Vice President,
Financial Advisor,
Portfolio Manager

Brad Thurber, CFP®
Senior Vice President,
Financial Advisor,
Portfolio Manager,
Branch Manager

Drew Morin, CFP®, AIF®, CWS®
Senior Financial Advisor



Bradley Hansen
Senior Vice President,
Portfolio Manager

Renee A. Chase
Senior Registered Associate

Erin Lui
Supervisory Branch
Operations Manager,
Registered Client Associate

95 S. State Street, Suite 1500 | Salt Lake City, UT 84111 | (801) 333-3140 | (888) 334-3140
www.capitalviewinvestmentgroup.com