ROPES WEALTH ADVISORS

Ropes Wealth Says This Too Shall Pass

My grandmother used to say “this too shall pass” in the face of formidable challenges and crushing disappointments. I knew this sentiment helped her to get up each morning again and again and work hard for her family, even when her hands were tired and at times her heart broken. As a woman of great faith, she would also encourage herself and others “to put things in the hands of the Lord.” When she said that, we knew that we should stop agonizing over outcomes and just have faith. In many of our conversations these past few weeks, I have been doling out similar advice to you, as the anxieties of this moment build about our future. Somehow dissecting earnings reports and economic data feels a little too technical for the crossroads we face on Tuesday.

This week I had the opportunity to attend an event on women and leadership at my alma mater Boston College. Liz Cheney was our timely featured speaker, and she shared perspectives on her own experiences in Washington and the future of the country. She challenged the audience to skip the tribalism and vote like we are hiring someone for a job. Whether you agree with her politics these days or not, it is a good reminder to all of us that on Tuesday we are hiring for the most important job on earth. Please make your voice heard in that selection.

As I write this week’s newsletter, the ghoulish remains of a half-eaten pizza are strewn on my counter along with leftover bags of candy for trick-or-treaters that seem to wane in number each year, perhaps as my own children grow older. The market action of October was similar to this sad scene: expectations were high for a stronger turnout, the turnout was not quite what we hoped, and yet we are feeling a bit nostalgic.

Don’t get me wrong, it could have been worse. While the S&P 500 Index fell -1% in October, marking the first decline since April and only the second in the last year, the S&P is still up 20% in 2024 and is only 2% below recent all-time highs. But investors are uneasy: outlooks from Microsoft, Meta and Apple are raising worries about their future AI-related spending and consumer demand even as those same firms over-delivered on earnings. Amazon bucked the trend by posting better revenue, earnings, and operating income, with standout results in web services that have the stock moving higher today. Intel likewise bucked the trend with strong results on their cost-cutting initiatives hitting the bottom line, and a more positive than expected sales outlook. In contrast, both Uber and Chipotle took hits this week, as bookings were down for the ride-share service and smoked brisket on Chipotle’s menu failed to get much traction with consumers except for my son.

On the economic data front, the news was good or as expected with respect to GDP clocking in for the third quarter at 2.8% and inflation holding at a 2.7% rate for the core personal consumption expenditure (PCE) measure. Not as good was this morning’s payrolls report that showed the U.S. economy added just 12,000 jobs in the month of October, though the unemployment rate held steady at 4.1%. The low headline number was not in and of itself unexpected, but it was tough to see prior months’ gains reduced by 112,000 and the labor force participation rate drop. There is no question this report was distorted by the impacts of hurricanes and major labor strikes, at Boeing as well as Textron and Hilton Hotels. On that note, it appears the Boeing strike may come to an end as workers are set to vote on a new offer from the aviation giant, which includes a 38% pay rise over the next four years.

For all of these reasons, investors are uneasy, and understandably so. Next week, the Fed will meet on November 6-7 and expectations are for an interest rate cut of 25 basis points for now. Bond vigilantes continue to control market action on rates, as the 10-year Treasury note is yielding 4.23% as of this writing, even with next week’s expectations. It is notable that 30-year fixed mortgage rates are at 6.86%, which is stymieing the housing market as the housing supply shortage continues and affordability remains at its worst measure in over a decade.

As we head to the weekend, please remember that markets have historically shown themselves to be nonpartisan. Earnings matter the most, followed by economic fundamentals, which include where we are in the business cycle, the level and direction of interest rates, the job market, and consumer spending. Even as some economic data is uneven or softening, it is not recessionary. Companies are strong and delivering healthy earnings, which are expected to grow this quarter and into next year. While politicians and their hubris would like to suggest otherwise, they are not as impactful on the stock market as they might think. With that, it is always a good idea to take stock of your plan and your strategy in the aftermath of an election, and we are ready to help you do that, bearing in mind that changes are likely to be subtle and more in consideration of your personal situation than a candidate's campaign promises or proposals. In other words, keep calm and invest on.

Thank you for your interest in our weekly investment commentary. If you would like to speak personally with a member of our team at any time, please click **here**.

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