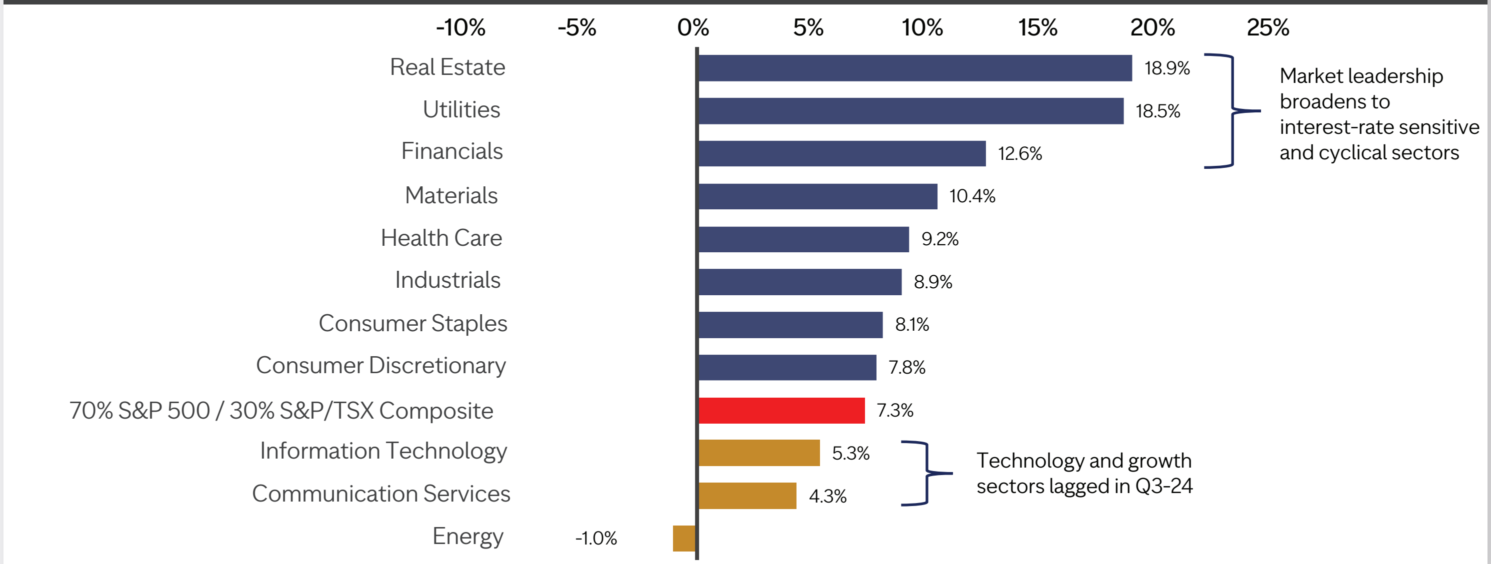
Quarterly market outlook: **Fourth quarter 2024**

Equity outlook

Sector leadership broadens in Q3 (6/30/24 - 9/30/24)
70% S&P 500 / 30% TSX weighted average returns



Source: FactSet. Total returns in local currency. Sector returns calculated based on 70/30 split between the S&P 500 and S&P/TSX Composite. Edward Jones believes a 70 / 30 blend of the S&P500 and TSX sector weights provides a solid foundation (neutral starting points) for sector diversification.

The Canadian and U.S. equity markets continued to see solid gains through Q3, but we would expect the pace of these gains to moderate. While markets may experience bouts of volatility, pullbacks can present opportunities for long-term investors.

Market leadership starts to broaden — The TSX is up over 15% year to date, while the U.S. S&P 500 is up over 20% through September. In both markets, interest rate-sensitive and cyclical sectors such as utilities and real estate have outperformed in Q3, while technology and communications services lagged. In our view, this broadening may continue as the Bank of Canada (BoC) and the Federal Reserve (Fed) move interest rates lower. We believe diversification — owning growth, value and cyclical sectors, as well as large- and mid-cap stocks — will remain an important foundation for portfolios in the quarter ahead.

Impact of central bank interest rate cuts — In our view, a multiyear rate-cutting cycle could support stock market returns for a few key reasons:

1. Historically, when the BoC and the Fed are cutting rates and there is no imminent economic recession, markets have tended to perform well.

2. Interest rate cuts typically support an expansion of stock market valuations. We believe the sectors with the largest scope for valuation expansion include non-tech and AI stocks, which have already seen a meaningful rise in valuation.

3. Central bank rate cuts over time can support consumer and corporate spending and help reaccelerate economic and corporate earnings growth. This is supportive of better stock market performance.

Volatility could be an opportunity — While we believe equity markets are well-supported, stocks have had a strong run already this year. We would expect the pace of these gains to moderate, especially as we head into a seasonally choppy October, and politics and geopolitics continue to spark uncertainty. Markets may experience additional bouts of volatility, which are normal in any given year. Pullbacks can present opportunities to diversify portfolios, rebalance or add quality investments at better prices, as we believe the underpinnings of the bull market expansion are intact.

▶ Action for investors

We recommend overweighting U.S. large-cap and mid-cap equities. We remain neutral between growth and value, as we believe stock market leadership will continue to broaden in the months ahead. Consider using pullbacks as opportunities to diversify, rebalance or add quality investments at better prices.

Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates and investors can lose some or all of their principal.

