



# Q3

## Quarterly Market Review Third Quarter 2024



## 2024 Q3 Market Review – Out-performance?

All widely followed asset classes\* were up in Q3 as well as year to date. 2024 has been a strong stock market year to date, prompting questions like: “Will this outperformance of stocks last?” Or, “is the market set for a crash?” and similar sentiments. Clearly, people have concerns.

My audience knows that that I don’t forecast these things – it’s not a productive use of my time. Moreover, I think these types of questions are often inaccurate or incomplete. For example when people wonder, “Will this outperformance of stocks last?” the clarifications needed are: Out-perform what? Their own track record? The performance of other asset classes? And over which time period? Etc.

Yet a good investment advisor must have a viewpoint based a solid investment foundation. So here goes:

*Will US Stocks out-perform their recent track record?* I think that is unlikely. I fully expect stocks **not** to continue to **out-perform**. But, I also expect them to continue to **perform** and be consistent with their long term track record even if that means a short, temporary decline from their current levels.

*And what about Outperforming other asset classes like Cash, Bonds, Commodities and perhaps even Real-Estate?* Here I feel it’s quite likely they will outperform other asset classes over a reasonable time period. And in the context of a retirement lifespan, say 10 years or more, I believe it is highly likely they will outperform these other asset classes.

*As to, will they Crash?* I don’t know. But, using history as a guideline, stocks do decline about a quarter of the time. However, this also means that they are up about 75% of the time. Moreover, I have observed that the declines are temporary and followed by full recoveries and even higher highs. True, for the few months in which are in a decline, investors feel uncomfortable and even fearful. However, this discomfort is the price serious investors pay to grow wealth and secure a financially comfortable retirement with a lot of peace of mind.

So rather than focus on short term imponderables, our investment philosophy for high net worth investors with a long-term horizon remains steadfast: diversify portfolios over the main asset classes, keep a bias towards Equities, and keep a relentless focus on managing costs. We think this is a very feasible investment strategy to build assets and to ensure a comfortable retirement.

\* Our Asset classes are: Cash, Fixed income, Equities, Real Estate, and Commodities and we think these pretty much cover the investable investment universe.

26 Oct 2024

## Our evidence-based Investment Philosophy

*We seek to double clients' wealth every 10-12 years and to do it without exposing portfolios to the risk of a permanent loss of capital. Our objective is to preserve the money you invest with us and to maintain its value over time. Of course, performance cannot be guaranteed, and past performance is not indicative of future results.*

*Our portfolios are sensibly diversified across the five main asset classes, and with markets becoming increasingly global, we seek opportunities regardless of where they are located.*

*We strive to manage investments prudently, using the value-style oriented approach of buying high quality investments when they are available at attractive (inexpensive) prices.*

*We select investments to get better total returns fully recognizing that risk management, cash requirements, tax considerations, social investing demand, etc. may reduce returns of portfolios.*

*We use both active and indexed portfolio management techniques depending on market conditions. When markets offer opportunities, or as we uncover compelling ideas, active portfolio management is useful. At other times our default position is to use evidence-based indexed investments.*

*We believe that market conditions are important, especially when clients add to or withdraw capital. At these times, we pay attention to market trends based on the relative attractiveness of major asset classes and our expectations about their future performance. But normally, we do not attempt to time the market; research suggests it is futile.*

*We use fundamental techniques, quantitative approaches, and behavioral finance to guide us when we buy and sell securities and strive to take the least amount of risk that is consistent with a client's objectives – as distinct from shooting for the highest returns.*

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*This article is provided on an informational basis only. It reflects the author's opinions as of the dates cited and these opinions may change at any time. It should not be considered as providing investment advice, nor is there any guarantee that any forecast or opinion will be achieved. The data contained are believed to be reliable but no representation is made concerning their accuracy.*

*Past performance is not a guide to future performance.*

*DorchesterAdvisors is a Registered Investment Advisor in NJ, NY and MI.*

# Quarterly Market Review

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets. The report concludes with a quarterly topic.

## Overview:

Market Summary

World Stock Market Performance

US Stocks

International Developed Stocks

Emerging Markets Stocks

Country Returns

Real Estate Investment Trusts (REITs)

Commodities







Fixed Income

Global Fixed Income

Quarterly Topic: Looking to Stick the Landing? Shake Off the Volatility.

# Quarterly Market Summary



















Returns (USD), as of September 30, 2024

|                          | Stocks   |  |  |  | Bonds  |  |
|--------------------------|--|--|--|--|--|--|
|                          | US Stock Market  | International Developed Stocks   | Emerging Markets Stocks  | Global Real Estate   | US Bond Market   | Global Bond Market ex US   |
| <b>Q3 2024</b>           | 6.23%<br> | 7.76%<br> | 8.72%<br> | 16.04%<br> | 5.20%<br> | 3.48%<br> |
| Average Quarterly Return | 2.4%   | 1.7%   | 2.6%   | 2.3%   | 1.0%   | 1.0%   |
| Best Quarter             | 22.0%<br><b>2020 Q2</b>  | 25.9%<br><b>2009 Q2</b>  | 34.7%<br><b>2009 Q2</b>  | 32.3%<br><b>2009 Q3</b>  | 6.8%<br><b>2023 Q4</b>   | 5.4%<br><b>2023 Q4</b>   |
| Worst Quarter            | -22.8%<br><b>2008 Q4</b>   | -23.3%<br><b>2020 Q1</b>   | -27.6%<br><b>2008 Q4</b>   | -36.1%<br><b>2008 Q4</b>   | -5.9%<br><b>2022 Q1</b>  | -4.1%<br><b>2022 Q1</b>  |

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.

# Long-Term Market Summary

Returns (USD), as of September 30, 2024

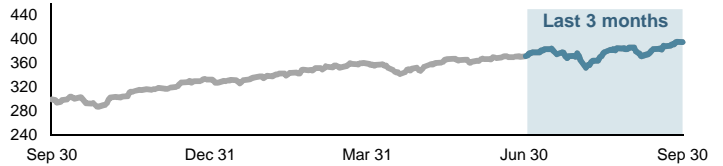
|          | Stocks  |  |  |   | Bonds  |  |
|----------|---|--|--|---|--|--|
|          | US Stock Market   | International Developed Stocks   | Emerging Markets Stocks  | Global Real Estate  | US Bond Market   | Global Bond Market ex US   |
| 1 Year   | 35.19%<br>   | 24.98%<br>  | 26.05%<br>  | 30.43%<br>  | 11.57%<br>  | 9.78%<br>   |
| 5 Years  | 15.26%<br>  | 8.36%<br>  | 5.75%<br>  | 2.54%<br>  | 0.33%<br>  | 0.64%<br>  |
| 10 Years | 12.83%<br> | 5.68%<br> | 4.02%<br> | 4.92%<br> | 1.84%<br> | 2.62%<br> |

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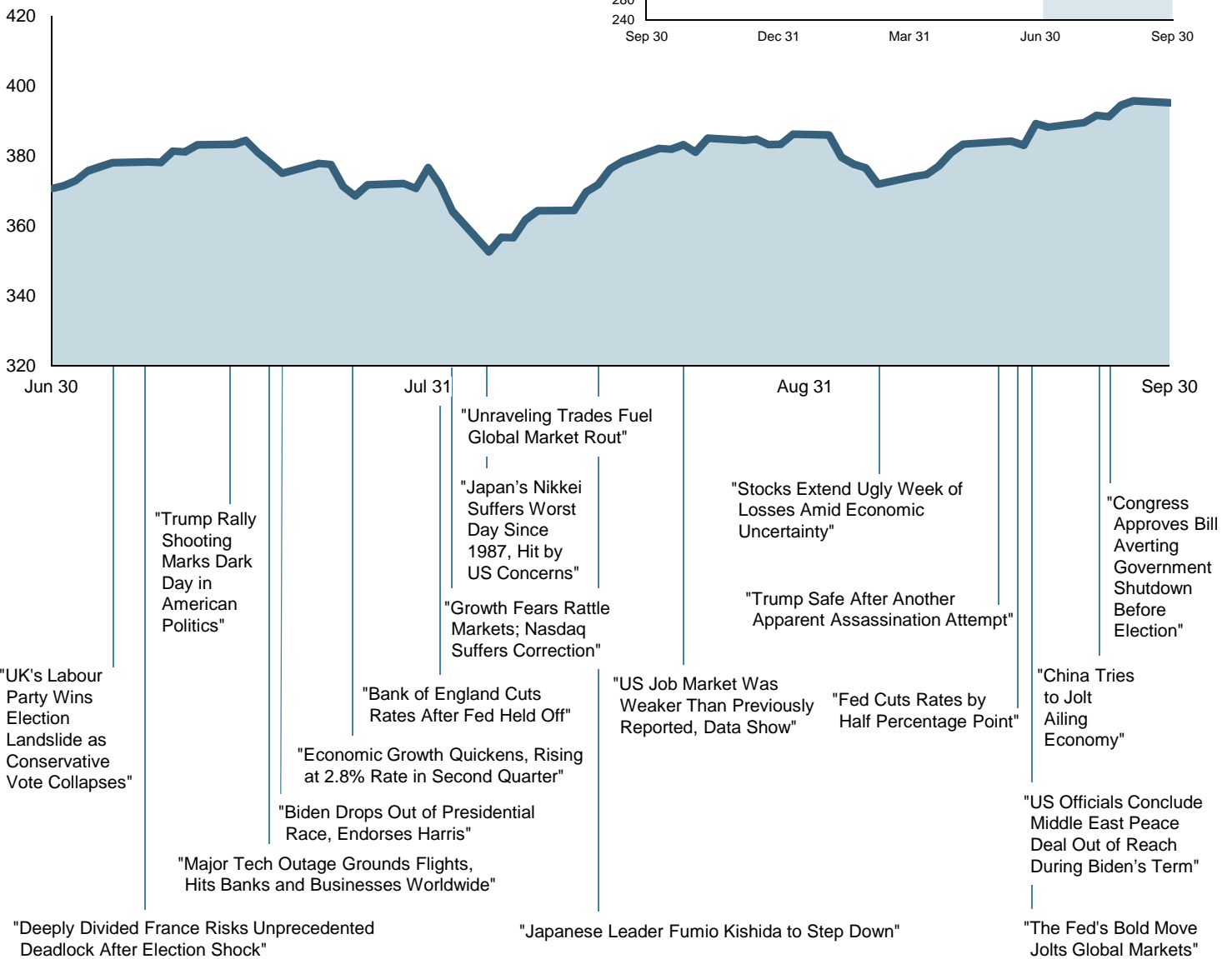
# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2024

1 YEAR (Q4 2023–Q3 2024)



Q3 2024

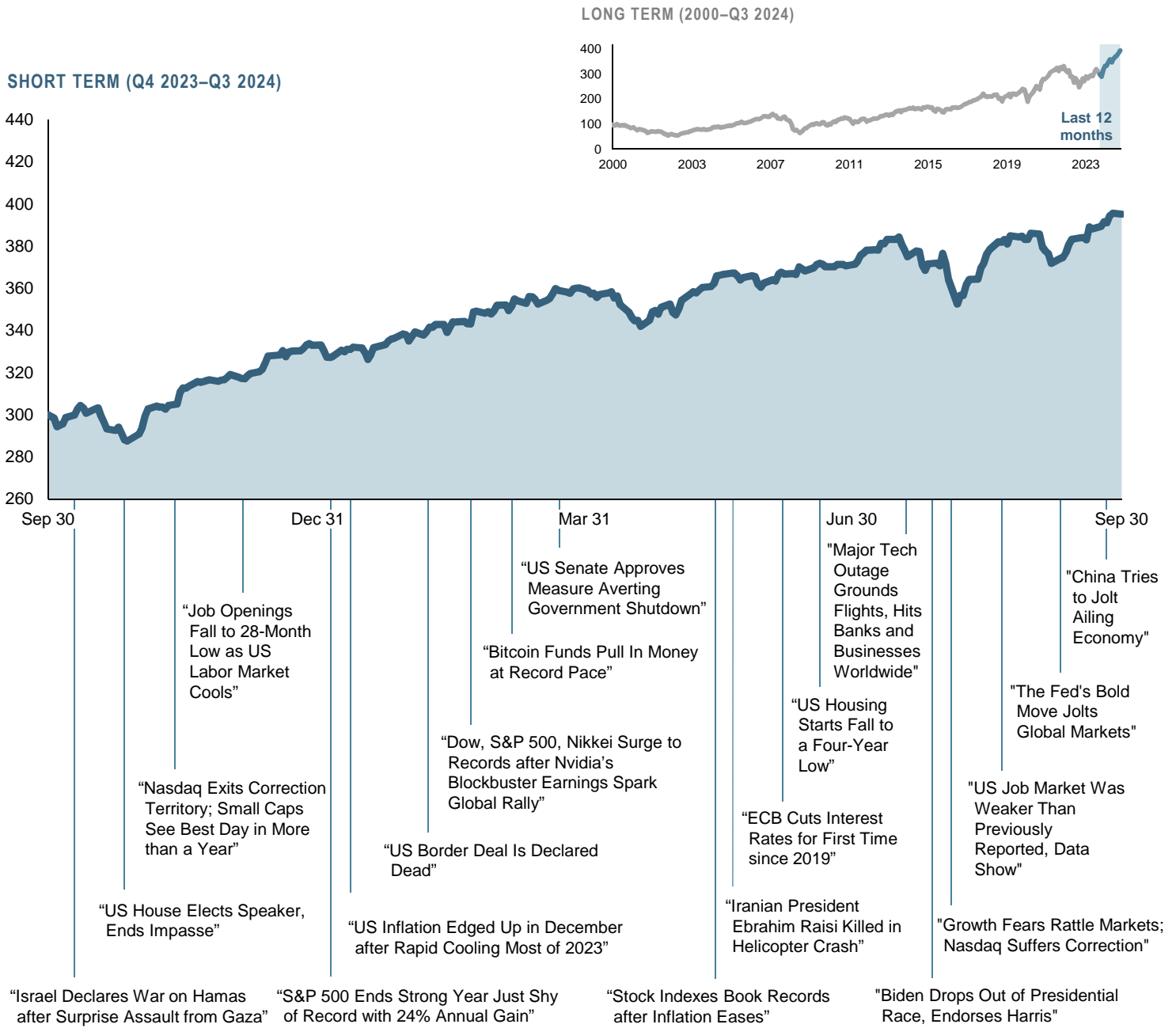


*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

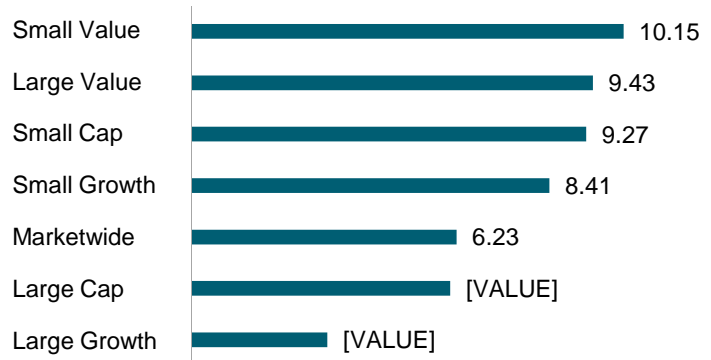


# US Stocks

Returns (USD), 3rd Quarter 2024

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value outperformed growth.
- Small caps outperformed large caps.
- REIT indices outperformed equity market indices.

## Ranked Returns (%)



## Periodic Returns (%)

| Asset Class  | QTR   | YTD   | ANNUALIZED |         |         |          |
|--------------|-------|-------|------------|---------|---------|----------|
|              |       |       | 1 Year     | 3 Years | 5 Years | 10 Years |
| Small Value  | 10.15 | 9.22  | 25.88      | 3.77    | 9.29    | 8.22     |
| Large Value  | 9.43  | 16.68 | 27.76      | 9.03    | 10.69   | 9.23     |
| Small Cap    | 9.27  | 11.17 | 26.76      | 1.84    | 9.39    | 8.78     |
| Small Growth | 8.41  | 13.22 | 27.66      | -0.35   | 8.82    | 8.95     |
| Marketwide   | 6.23  | 20.63 | 35.19      | 10.29   | 15.26   | 12.83    |
| Large Cap    | 6.08  | 21.18 | 35.68      | 10.83   | 15.64   | 13.10    |
| Large Growth | 3.19  | 24.55 | 42.19      | 12.02   | 19.74   | 16.52    |

## World Market Capitalization

**63%** US Market  
\$55.4 Trillion

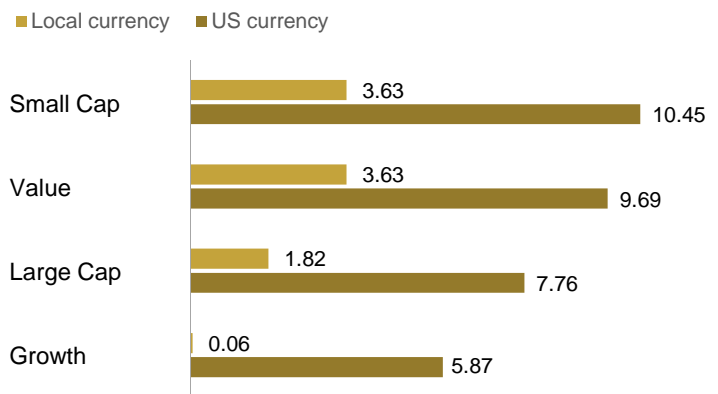
**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

# International Developed Stocks

Returns (USD), 3rd Quarter 2024

- Developed markets outside of the US posted positive returns for the quarter and outperformed the US market, but underperformed emerging markets.
- Value outperformed growth.
- Small caps outperformed large caps.

## Ranked Returns (%)



## Periodic Returns (%)

| Asset Class | QTR   | YTD   | ANNUALIZED |         |         |          |
|-------------|-------|-------|------------|---------|---------|----------|
|             |       |       | 1 Year     | 3 Years | 5 Years | 10 Years |
| Small Cap   | 10.45 | 11.53 | 23.36      | 0.05    | 6.85    | 5.99     |
| Value       | 9.69  | 14.12 | 23.90      | 9.14    | 8.51    | 4.69     |
| Large Cap   | 7.76  | 13.10 | 24.98      | 5.65    | 8.36    | 5.68     |
| Growth      | 5.87  | 12.14 | 26.18      | 2.02    | 7.78    | 6.41     |

## World Market Capitalization



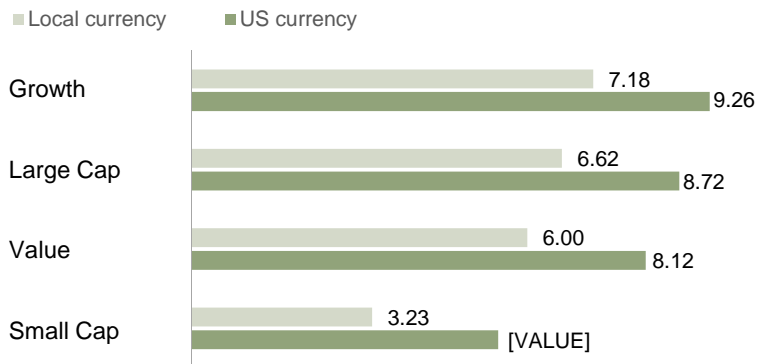
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# Emerging Markets Stocks

Returns (USD), 3rd Quarter 2024

- Emerging markets posted positive returns for the quarter and outperformed both US and non-US developed markets.
- Value underperformed growth.
- Small caps underperformed large caps.

## Ranked Returns (%)



## Periodic Returns (%)

| Asset Class | QTR  | YTD   | ANNUALIZED |         |         |          |
|-------------|------|-------|------------|---------|---------|----------|
|             |      |       | 1 Year     | 3 Years | 5 Years | 10 Years |
| Growth      | 9.26 | 18.49 | 27.64      | -2.26   | 5.45    | 4.81     |
| Large Cap   | 8.72 | 16.86 | 26.05      | 0.40    | 5.75    | 4.02     |
| Value       | 8.12 | 15.11 | 24.38      | 3.29    | 5.94    | 3.12     |
| Small Cap   | 5.48 | 12.91 | 23.01      | 5.14    | 12.22   | 5.86     |

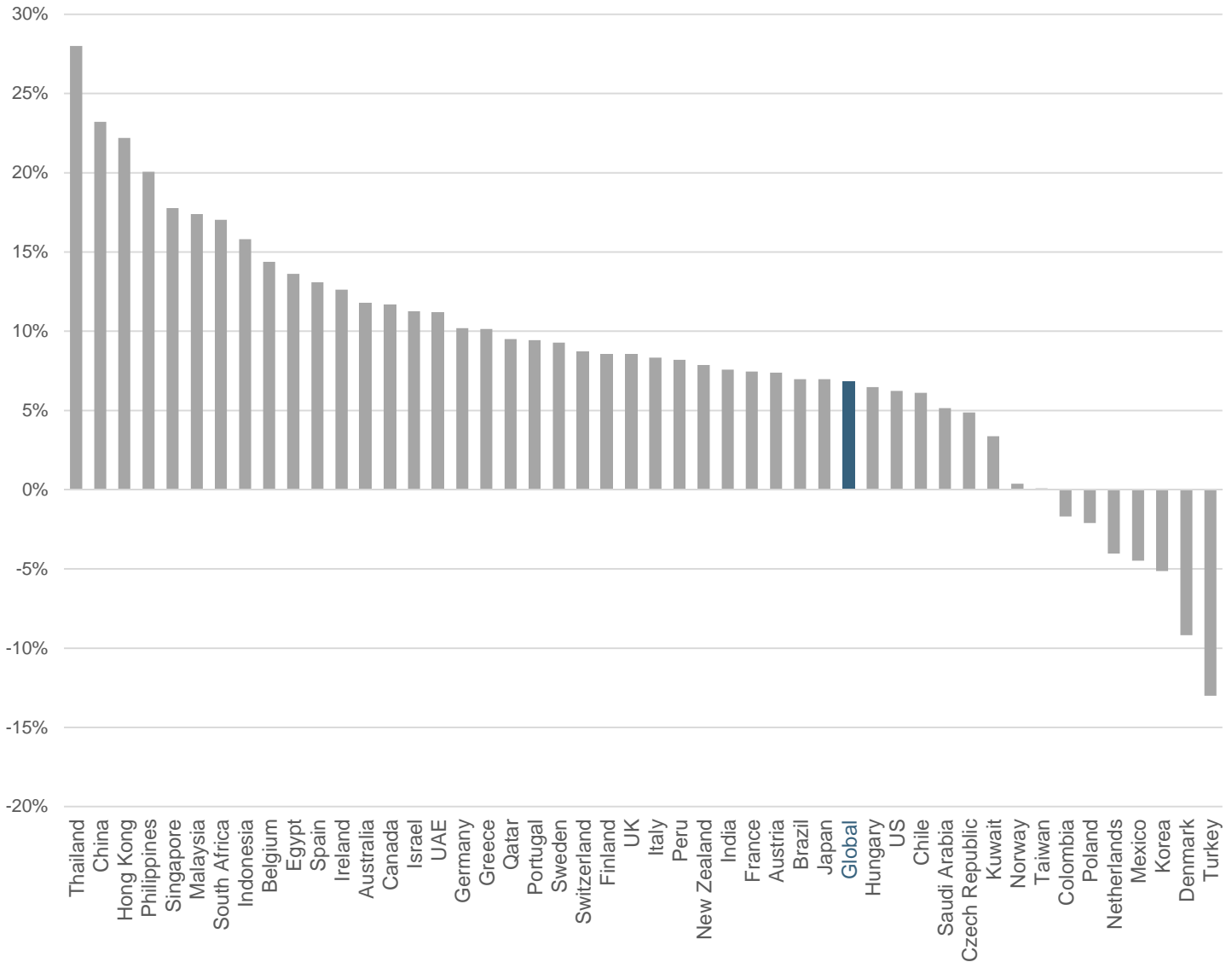
## World Market Capitalization

**11%** Emerging Markets  
\$9.7 Trillion

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# Country Returns

Returns (USD), 3rd Quarter 2024



**Past performance is no guarantee of future results.** Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

# Real Estate Investment Trusts (REITs)

Returns (USD), 3rd Quarter 2024

- US real estate investment trusts underperformed non-US REITs during the quarter.

## Ranked Returns (%)



## Periodic Returns (%)

| Asset Class        | QTR   | YTD   | ANNUALIZED |         |         |          |
|--------------------|-------|-------|------------|---------|---------|----------|
|                    |       |       | 1 Year     | 3 Years | 5 Years | 10 Years |
| Global ex US REITs | 16.75 | 8.91  | 25.22      | -2.36   | -1.18   | 2.03     |
| US REITs           | 15.56 | 14.92 | 33.71      | 4.36    | 4.41    | 7.03     |

## Total Value of REIT Stocks



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

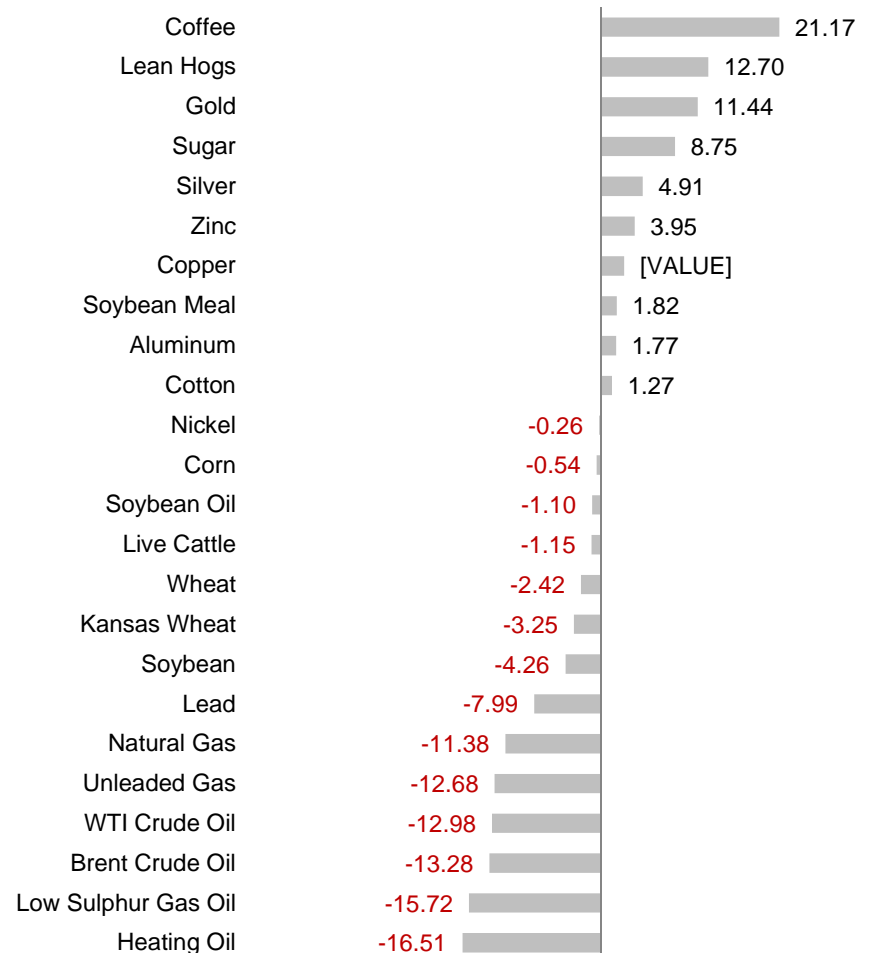
# Commodities

Returns (USD), 3rd Quarter 2024

The Bloomberg Commodity Total Return Index returned +0.68% for the third quarter of 2024.

Coffee and Lean Hogs were the best performers, returning +21.17% and +12.70% during the quarter, respectively. Heating Oil and Low Sulphur Gas Oil were the worst performers, returning -16.51% and -15.72% during the quarter, respectively.

## Ranked Returns (%)



## Periodic Returns (%)

| QTR  | YTD  | ANNUALIZED |         |         |          |
|------|------|------------|---------|---------|----------|
|      |      | 1 Year     | 3 Years | 5 Years | 10 Years |
| 0.68 | 5.86 | 0.96       | 3.66    | 7.79    | 0.03     |

**Past performance is not a guarantee of future results.** Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

# Fixed Income

## Returns (USD), 3rd Quarter 2024

Interest rates decreased in the US Treasury market for the quarter.

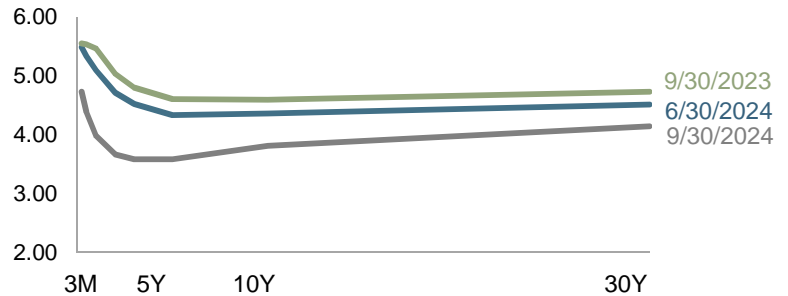
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 54 basis points (bps) to +4.93%, while the 1-Year US Treasury Bill yield decreased 111 bps to +3.98%. The yield on the 2-Year US Treasury Note decreased 105 bps to +3.66%.

The yield on the 5-Year US Treasury Note decreased 75 bps to +3.58%. The yield on the 10-Year US Treasury Note decreased 55 bps to +3.81%. The yield on the 30-Year US Treasury Bond decreased 37 bps to +4.14%.

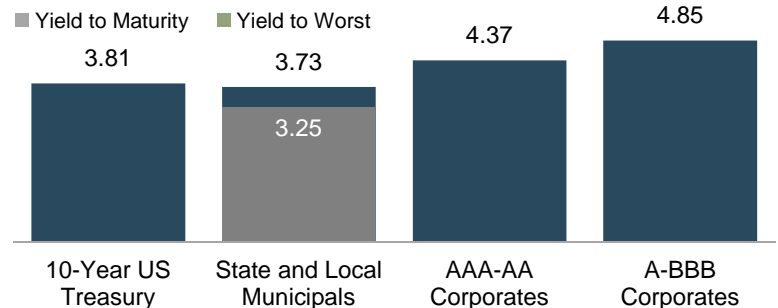
In terms of total returns, short-term US treasury bonds returned +3.43% while intermediate-term US treasury bonds returned +3.97%. Short-term corporate bonds returned +3.75% and intermediate-term corporate bonds returned +4.66%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +2.31% and +3.09%, respectively. Within the municipal fixed income market, general obligation bonds returned +2.77% while revenue bonds returned +2.70%.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yields Across Issuers (%)



### Periodic Returns (%)

| Asset Class  | QTR  | YTD  | ANNUALIZED |         |         |          |
|--|------|------|------------|---------|---------|----------|
|  |      |      | 1 Year     | 3 Years | 5 Years | 10 Years |
| Bloomberg U.S. Government Bond Index Long                  | 7.81 | 2.44 | 15.43      | -8.32   | -4.25   | 1.09     |
| Bloomberg U.S. High Yield Corporate Bond Index             | 5.28 | 8.00 | 15.74      | 3.10    | 4.72    | 5.04     |
| Bloomberg U.S. Aggregate Bond Index                        | 5.20 | 4.45 | 11.57      | -1.39   | 0.33    | 1.84     |
| FTSE World Government Bond Index 1-5 Years                 | 5.09 | 3.61 | 8.74       | -0.77   | 0.36    | 0.14     |
| Bloomberg U.S. TIPS Index                                  | 4.12 | 4.85 | 9.79       | -0.57   | 2.62    | 2.54     |
| FTSE World Government Bond Index 1-5 Years (hedged to USD) | 2.98 | 4.15 | 7.37       | 1.36    | 1.43    | 1.71     |
| Bloomberg Municipal Bond Index                             | 2.71 | 2.30 | 10.37      | 0.09    | 1.39    | 2.52     |
| ICE BofA 1-Year US Treasury Note Index                     | 2.03 | 4.01 | 5.87       | 2.48    | 1.99    | 1.55     |
| ICE BofA US 3-Month Treasury Bill Index                    | 1.37 | 4.03 | 5.46       | 3.49    | 2.32    | 1.65     |

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2024 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2024 ICE Data Indices, LLC. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# Global Fixed Income

## Yield curves (USD), 3rd Quarter 2024

Interest rates generally decreased across global developed markets for the quarter.

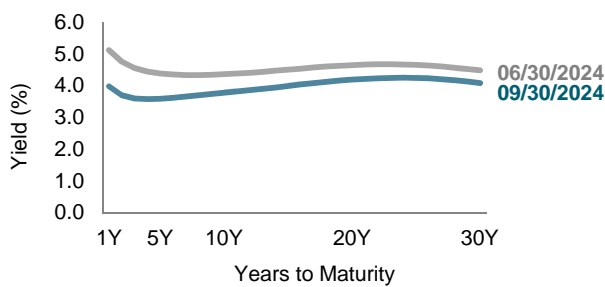
Realized term premiums were broadly positive across global developed markets as longer-term bonds generally outperformed shorter-term bonds.

In Japan, short-term interest rates increased while longer-term interest rates generally decreased. The short-term segment of the yield curve remained inverted in Australia, UK, Germany, and Canada.

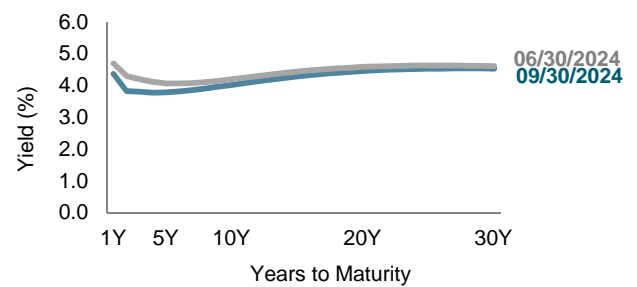
### Changes in Yields (bps) since 06/30/2024

|           | 1Y     | 5Y    | 10Y   | 20Y   | 30Y   |
|-----------|--------|-------|-------|-------|-------|
| US        | -114.0 | -79.3 | -58.3 | -45.7 | -39.5 |
| UK        | -32.2  | -28.6 | -17.8 | -12.9 | -8.0  |
| Germany   | -77.0  | -53.9 | -34.4 | -23.9 | -21.3 |
| Japan     | 6.1    | -8.4  | -17.9 | -12.4 | -5.9  |
| Canada    | -108.0 | -75.9 | -53.9 | -32.8 | -26.1 |
| Australia | -48.7  | -43.7 | -32.5 | -18.2 | -7.4  |

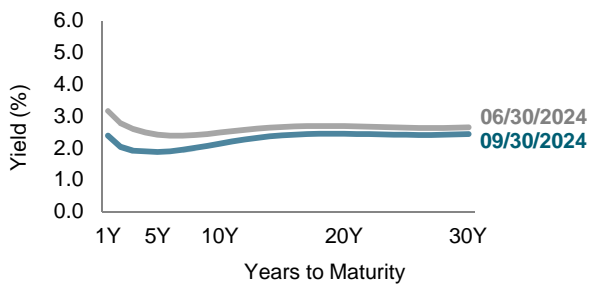
### US



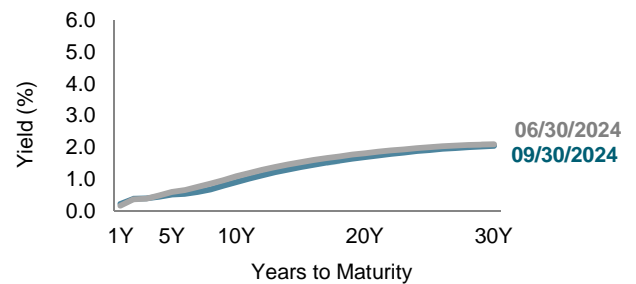
### UK



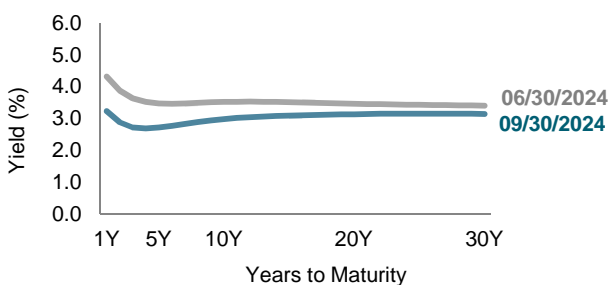
### Germany



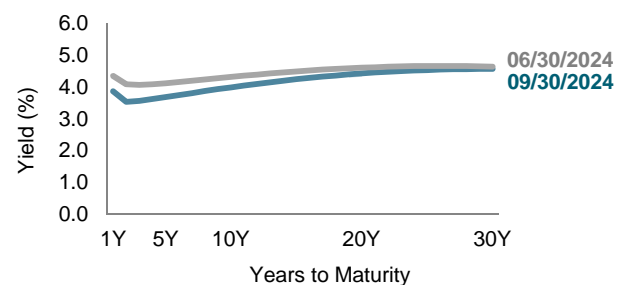
### Japan



### Canada



### Australia



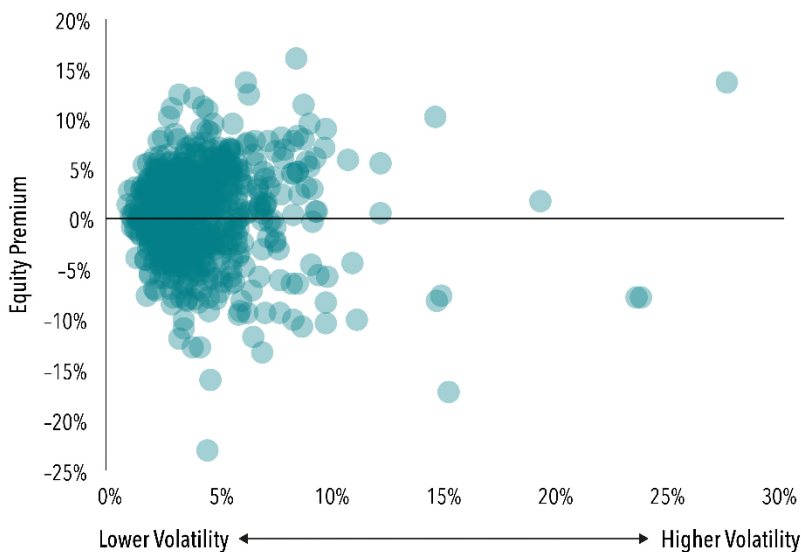


# Looking to Stick the Landing? Shake Off the Volatility.

Samuel Dinamarca, CFA, Associate Investment Strategist, Dimensional Fund Advisors  
and Matt Lipps, CFA, Investment Strategist, Dimensional Fund Advisors

## MONTHLY US EQUITY PREMIUM VS. PRIOR MONTH VOLATILITY

July 1963–June 2024



The US stock market has been on a winning streak, so some investors may have been jolted when the S&P 500 fell more than 6% from July 31 to August 5. The Cboe VIX Index, a measure of US stock market volatility, reached 65.7 on August 5. This was its highest level since the COVID-19 pandemic and the largest one-day increase since 1990.

Historical data reminds investors that investing is more of a marathon than a sprint, and short-term volatility is not a reason to take your eyes off the prize. Research shows there is no reliable pattern to suggest that realized volatility is a good predictor of lower (or higher) market returns. So, while an uptick in volatility may make investors uneasy, sitting on the sidelines is unlikely to serve investors well. In fact, a month of top-decile volatility is on average followed by a month with a positive equity premium.

Investors and athletes alike must shake off temporary setbacks and stay focused on the goal ahead if they want to stick the landing.

# Looking to Stick the Landing? Shake Off the Volatility.

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**Past performance is no guarantee of future results.**

## **Index Descriptions**

Fama/French Total US Market Research Index: July 1926–present: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Ken French website. Results shown during periods prior to each index's inception date do not represent actual returns of the respective index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains.

## **Data appendix—Fama/French Factors**

Fama/French Mkt-Rf: The excess return on the market, value-weighted return of all CRSP firms incorporated in the US and listed on the NYSE, AMEX, or Nasdaq that have a CRSP share code of 10 or 11 at the beginning of month  $t$ , good shares and price data at the beginning of  $t$ , and good return data for  $t$  minus the one-month Treasury bill rate (from Ibbotson Associates).

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