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## Q3 2024 Newsletter

### Economy & Market Valuation

The US stock market as measured by the S&P 500 went up by approximately 5% in Q3 of 2024. The Federal Reserve (Fed) cut interest rates by 0.5% in Sep 2024 to arrest the slowdown in the US economy. The Fed has a dual mandate of maximum employment and stable prices. For the last 2 years, the Fed has been fighting the inflation battle by increasing the interest rates. US inflation rate has dropped to 2.2% in Aug 2024 as measured by PCE. This is remarkably close to the Fed's target of 2%. The Fed has declared victory on the inflation front and is now focusing on the US economy. Various economic readings show a marked slowdown in labor employment growth. Job and wage growth have shown considerable slowdown. To reduce the risk of further slowdown of the US economy and a recession, the Fed has started cutting interest rates. We believe that the September interest rate cut is the first cut in a series of interest rate cuts. We believe we will see two more rate cuts in 2024 and many more in 2025. We do not expect the Fed to reduce the interest rates to zero like before. We expect that they will reduce interest rates to the 2% to 3% range, and then watch the economy to see where it stands. As of now, we do not see a recession in the next 12 months in the US. We are keeping an eye on various economic indicators. If the US economy starts deteriorating, we will act accordingly.

Interest rate cuts are also happening in other major economies like mainland Europe, China, Canada and the UK. Interest rate cuts are generally good for the economy and the stock market.

### 2024 investment strategy

We think we have now a good balance between high tech growth names like Amazon, Meta, Microsoft, and long-term compounders like MUSA, COST in our Alpha portfolio. One of our new picks is Vistra Corp, a power generation company that is benefitting from increased power demand due to AI. The US will need a lot more power for AI data centers. Companies like MSFT and AMZN want only clean power like nuclear power for their data centers. Vistra and Constellation Energy are among the companies with the highest nuclear capacity in the US. It is hard to believe but true that Vistra's stock market returns have outperformed NVDA's in 2024.

As always, we are constantly looking to buy/add excellent companies at a good valuation.

We want to thank those of you who joined us for dinner at RANG on 25<sup>th</sup> of Aug. We look forward to seeing many more of you at our annual meeting in December.