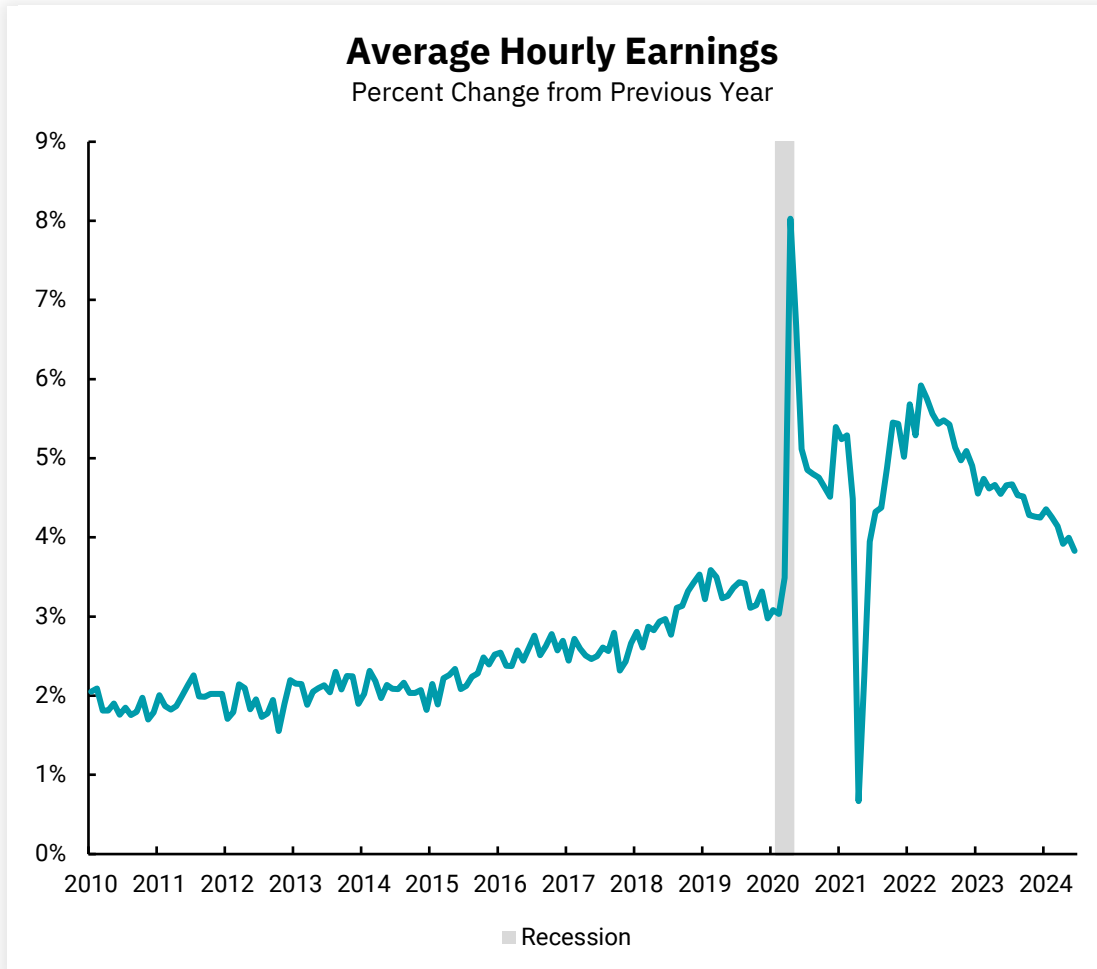


Weekly market update



Chart of the week (Aug. 02, 2024)



July’s monthly [Department of Labor \(DOL\) employment report](#) was a disappointment. Job growth came in lower than expected, and the May and June reports were revised lower. Additionally, the headline unemployment rate jumped from 4.1% to 4.3%, triggering the “[Sahm Rule](#)” and increasing the chances of a recession in the coming months.

On the inflation front, we did get some good news within the report—and this is the subject of this week’s chart. Average hourly earnings (AHE) were reported at 0.2% versus an expectation of 0.3%. Ordinarily, this would be viewed as good news, as wages are a key part of how the Fed thinks about longer-term, core inflation.

However, in the days following the Federal Open Market Committee’s (FOMC) [July meeting](#), we got a surprisingly weak and broad-based reading on manufacturing. This led to a sharp decline in stock prices and lower interest rates across the curve as investors began to worry that the downshift in economic growth might be more serious than we want. There are still measures of the economy that remain positive. Still, the history of unemployment, arguably the most important part of our economic outlook, is for it to move up slowly before accelerating higher quickly.

The basis for patience on the Fed’s part now seems to be wearing thin. At the recent meeting, the FOMC unanimously voted to keep rates the same, but changes to the language in their post-meeting statement and comments from Fed Chair Powell at his press conference seemed to set the table for a possible rate cut at their September meeting.

Still, one might say they are now behind the curve on rate cuts. After the recent employment report, the chances for a 0.5% cut in September moved above 50%, with a total of three cuts now expected this year. It is important to not read too much into any single data report, and the market reaction might be overdone. However, the trend in economic activity is now clearly slower, and inflation should follow. We know the Fed does not want to ease policy too soon and risk a resurgence in inflation, but keeping policy too restrictive also has consequences.

Second-quarter earnings, to date, have been better than expected, but there have been some big misses and there are stocks that have declined materially. Mentions of higher interest rates and slowing consumer spending have been on the rise, adding to the checklist of reasons for the Fed to begin lowering rates.

Weekly market update



Commentary (Aug. 02, 2024)

Domestic Equities

- U.S. stocks were decidedly negative for the week, falling sharply Thursday and Friday on weakening employment, manufacturing and construction reports. Altogether, these left investors questioning whether the Fed has waited too long to trim interest rates.
- The Nasdaq Composite Index dipped into correction territory, down 10% from its July 10 high. This tech-heavy index has been hit the hardest, as earnings reports from some of the largest U.S. companies have investors questioning if the mania around AI has gone too far.
- Amazon is spending big developing AI capabilities despite disappointing revenue growth. The stock was down over 10% after its earnings report. Additionally, the stock of chip maker Intel fell close to 30% after it announced broad-based plans to cut costs after weaker-than-expected sales.

Bonds

- U.S. Treasury yields tumbled to multi-month lows on dovish comments by the Federal Reserve and softer employment data.
- On Wednesday, the Fed left rates unchanged for their eighth consecutive meeting. However, in the post-meeting press conference, Chair Powell indicated the policymakers are ready to cut rates as soon as September. The market continues to price in a more aggressive rate-cutting schedule than signaled by the Fed, with Fed Fund futures pricing in over four cuts through year-end.
- In international markets, it was a busy week for central bank announcements. The Bank of Japan raised its overnight rate to 0.25% from a range of 0 to 0.1%. Additionally, the Bank of England cut the base rate by 0.25% to 5.00% on easing inflationary pressures.

International Equities

- Foreign stock markets fell as investors grappled with fresh economic data and its impact on the global economic outlook.
- Key markets across Europe fell as shaky earnings news and the weaker-than-expected U.S. jobs report ignited concerns over economic growth. Inflation unexpectedly increased by 2.6% in the eurozone over the last year, presenting a fresh challenge to central bank policymakers looking for signs of easing price pressures.
- Emerging market stocks struggled at the end of the week as Asian technology stocks fell after earnings from key U.S. tech companies dented investor sentiment. China's manufacturing activity declined for a third straight month in July, signaling continued economic weakness. However, China's leadership pledged to focus on policies to boost consumer spending to support its economy.

Economics

- The Bureau of Labor Statistics (BLS) reported that total non-farm payroll employment increased by 114,000 in July. Most of the monthly job gains occurred in health care, construction and transportation and warehousing.
- The unemployment rate (U-3) increased to 4.3%. The labor force participation rate increased by 0.1% to reach 62.7% in July.
- The Job Openings and Labor Turnover Summary (JOLTS) for June indicated monthly job openings were unchanged at 8.2 million. Separations saw little change at 5.1 million.
- The June Consumer Price Index report will be released on Thursday and the Producer Price Index will be released on Friday.

Weekly Market Update

For Week Ending August 02, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	39,737.26	-2.1%	6.6%	14.9%
S&P 500 Index	5,346.56	-2.0%	13.0%	20.2%
NASDAQ Composite	16,776.16	-3.3%	12.2%	21.0%
S&P 400 Midcap Index	2,948.01	-4.1%	6.9%	11.3%
S&P 600 Smallcap Index	1,350.34	-5.5%	3.5%	8.8%
MSCI EAFE	8,122.32	-2.0%	4.3%	10.1%
MSCI Emerging Markets	563.09	-1.0%	5.5%	6.7%
Bloomberg US Agg	2,231.39	2.4%	3.2%	7.7%
Bloomberg Municipal 5 Yr	493.07	0.7%	0.9%	4.2%
Bloomberg US Corporate	3,321.09	2.1%	3.1%	9.3%
Bloomberg Glb Agg ex US Hdg	581.38	1.1%	2.9%	7.8%
Bloomberg High Yield	2,585.57	-0.1%	4.3%	11.5%
MSCI US REIT Index	2,283.36	1.5%	6.2%	11.6%
Bloomberg Commodity Index	224.47	-1.2%	-0.9%	-4.8%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	5.50%
3-Month Treasury	5.17%	5.29%	5.33%	5.38%
1-Year Treasury	4.36%	4.80%	4.76%	5.35%
2-Year Treasury	3.88%	4.38%	4.25%	4.88%
5-Year Treasury	3.62%	4.07%	3.85%	4.24%
7-Year Treasury	3.67%	4.11%	3.88%	4.17%
10-Year Treasury	3.79%	4.19%	3.88%	4.08%
30-Year Treasury	4.11%	4.45%	4.03%	4.17%

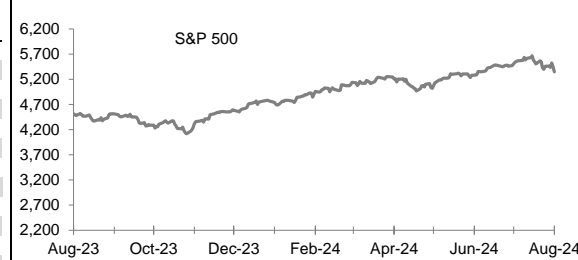
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	6.90%	7.15%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	9.25%
SOFR	5.35%	5.35%	5.38%	5.30%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,443.24	2,387.19	2,062.98	1,934.45
Crude Oil (WTI)	73.52	77.16	71.65	74.43
Gasoline	3.48	3.51	3.12	3.82
Natural Gas	1.97	2.05	2.33	3.29
Copper	4.10	4.12	3.89	3.91

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.79	21.27	5.06	1.88
S&P 500	21.91	23.41	4.84	1.42
S&P 500 Value	17.28	17.92	2.90	2.30
S&P 500 Growth	35.69	32.39	11.13	0.55
NASDAQ	32.84	33.81	6.55	0.79
S&P Midcap 400	16.60	16.23	2.46	1.80
S&P Smallcap 600	16.55	16.10	1.88	2.57
MSCI EAFE	14.74	14.78	1.90	3.20
MSCI Emerging Markets	13.05	15.25	1.74	2.85

Source: Bloomberg

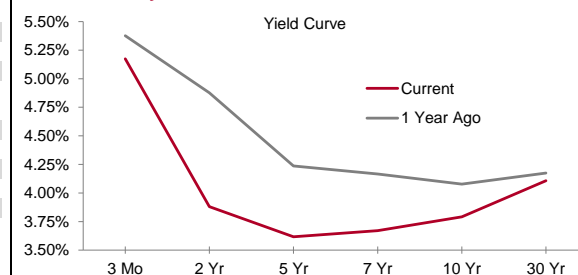
Equity Style



	1 Month*				Year to Date*		
	Value	Core	Growth		Value	Core	Growth
Large	2.78	-2.87	-6.69	> 10%	8.56	12.99	17.16
Mid	3.15	1.35	-0.28	0% - 10%	3.10	6.89	10.50
Small	5.91	4.68	3.47	< 0%	0.23	3.45	6.64

*S&P Indices

Fixed Income Style



	1 Month*				Year to Date*		
	Short	Interm.	Long		Short	Interm.	Long
Govt	1.90	3.16	8.47	> 10%	3.12	3.27	2.06
Corp	1.76	2.90	5.36	0% - 10%	3.73	3.91	1.51
HY	1.44	1.73	3.02	< 0%	4.96	4.31	1.78

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.0%	3.0%
CPI Core Inflation	3.3%	4.8%
Personal Consumption Exp (PCE) Core	2.6%	4.3%

	Last Release	Year Ago
Jobs		
Unemployment Rate (U3)	4.3%	3.5%
Broader Unemployment Rate (U6)	7.8%	6.7%
JOLT Survey (in millions)	8.18	9.13
Jobless Claims (000's)	249	240
Change in Non-Farm Payroll (000's)	114	184
Average Hourly Earnings (YY % Change)	3.6%	4.7%

	Last Release	Year Ago
Consumer & Spending		
Consumer Confidence (Conf Board)	100.3	114.0
Consumer Spending (\$ Bil)	19,444	18,485
Consumer Credit (\$ Bil)	5,065	4,963
Retail Sales (\$ Bil)	704	689

	Last Release	Year Ago
Housing		
Housing Starts (000's)	1,353	1,415
Case-Shiller Home Price Index	323.48	305.34

	Last Release	Year Ago
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	22,919	22,225
Quarter over Quarter Change	2.8%	2.1%
Year Over Year Change	3.1%	2.4%
ISM Manufacturing	46.80	46.50
Capacity Utilization	78.76	78.80
Markit US Composite PMI	55.00	52.00

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	101.1	106.2
Trade Weighted Dollar Index	124.0	118.1
EUR / USD	1.09	1.09
JPY / USD	146.53	143.32
CAD / USD	0.72	0.75
AUD / USD	0.65	0.65

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	-5.90%	20.33%
Utilities	9.23%	19.24%
Information Technology	-8.94%	18.93%
Consumer Staples	4.00%	13.27%
Financials	1.10%	12.87%
Health Care	4.51%	11.60%
Industrials	1.28%	8.54%
Energy	-2.52%	7.94%
Real Estate	9.61%	6.36%
Materials	3.46%	6.19%
Consumer Discretionary	-7.57%	0.15%

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