MONTHLY MARKET COMMENTARY

AUGUST 2024 Executive Summary

Benchmark Returns as of August 31, 2024

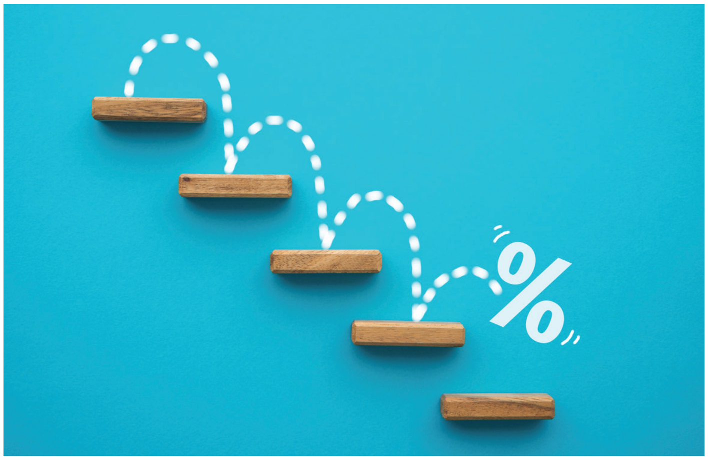
	For the Month	Year-to-Date		For the Month	Year-to-Date
S&P 500	2.43%	19.53%	**Bloomberg Aggregate Bond Index**	1.44%	3.07%
Dow Jones Industrial Average	2.03%	11.75%	**Developed International**	3.25%	11.96%
Nasdaq	0.74%	18.57%	**Emerging Markets**	1.61%	9.55%

CONFIDENCE AND CONCERN LEAD TO RATE CUTS AHEAD

The major economic data released in August provided both confidence that inflation is coming under control and concern that the current tight financial conditions are hurting the labor market. This combination cemented the belief that the FOMC will begin to cut interest rates at their September meeting.

It was not an easy path to this conclusion, as the month began with a "mini crash" that reawakened recession worries. Stocks recovered by month-end, with solid results from second quarter earnings reports, clear messaging from Federal Reserve Chair Jerome Powell's speech on August 23rd, and evidence that inflation is approaching target levels.

U.S. and global stock markets whipsawed the first week of August, plunging after an unexpectedly weak U.S. labor report for July and a broad unwinding of complex foreign currency arbitrage trades. The sharp selloff reversed rapidly, with the major equity indices logging gains for the month. It is notable that the more-defensive Dow Jones Industrial Average closed at an all-time high on August 30th, while the tech-heavy Nasdaq index has yet to recoup its high from mid-July. This is a healthy sign of broadening gains outside of the narrow leadership of the Magnificent Seven.



At this writing 493 companies in the S&P 500 have reported second quarter earnings. Actual earnings growth is 13.0%. which is well above recent quarters. Estimates for the third quarter are not as strong, currently standing at +5.7%, but a strong fourth quarter (+13.5%) is forecast. (Source: LSEG I/B/E/S)

Fed Chair Powell's highly anticipated speech at the Jackson Hole Economic Policy Symposium locked in markets' expectations of a rate cut at the next FOMC meeting on September 17 – 18th. Stating that it is "time for a policy change," the Fed sees that the balance of risks to the U.S. economy have shifted from inflation that is too strong to a labor market that is too weak.

Both inflation measures released in August showed steady, if slow, progress towards the Fed's 2% target for long-term price growth. On a year-over-year basis, the all-items CPI for July was +2.9%. On the same basis, the Fed-favored PCE index was +2.5%.

The weak labor report noted above showed an unemployment rate of 4.3% with only 114,000 jobs added in July. This raised fears among some market pundits that the Fed is too late in lowering interest rates and the economy is headed for a recession. These fears are not borne out by broader recession watch indicators. Specifically, the Recession Watch Report from our colleagues at Ned Davis Research currently has only two of ten key measures indicating a recession.

The benchmark measure of volatility – the CBOE Volatility Index – is down from its August high but remains elevated. There could be more choppy trading ahead as we approach the November elections.

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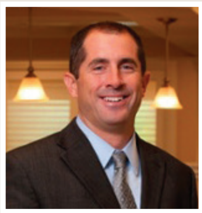

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