Market Commentary

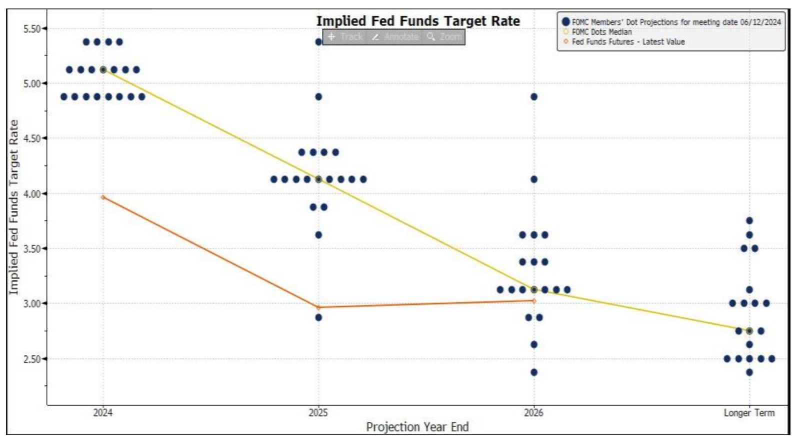
August 2024

Executive Summary:

- All major indices posted positive gains in July with the Russell 2000 leading the charge at 10.2%.
- Inflation remains a hot topic, with both the Core Consumer Price Index (CPI) and PCE Core Price Index continuing their downward trends.
- Q2 earnings season has been a mixed bag, with some companies exceeding expectations while others have fallen short.

As we cruise through the heat of summer, the financial markets have been anything but tepid. The pulse of the market has been a riveting blend of anticipation and volatility. Let's dive into the key recent developments.

During July, the S&P 500 showed resilience amidst a backdrop of mixed economic signals. The index posted a modest gain, driven primarily by strong performances in the tech and healthcare sectors. Companies like Apple, Microsoft, and Amazon have continued to lead the charge. All major indices posted positive gains in July with the Russell 2000 leading the charge at 10.2%, MSCI EAFE at 3.0%, the Bloomberg U.S. Aggregate Bond Index at 2.4%, the S&P 500 at 1.2%, and MSCI Emerging Markets at 0.4%.



Inflation remains a hot topic, with both the Core Consumer Price Index (CPI) and PCE Core Price Index continuing their downward trends. The Federal Reserve's meeting on July 31 provided market participants with few additional clues to the path of future rate decisions. The FOMC statement was balanced, noting that "the economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate." The statement also noted that U.S. "job gains have moderated, and the unemployment rate has moved up but remains low." In his press conference, Fed Chair Powell reinforced that with the risks being two-sided that they will continue to gather more data, which will influence decisions at their next meeting on September 18.

The Nonfarm payrolls report released on August 2 showed jobs increased by a smaller-than-expected 114,000 in July and the unemployment rate increased to 4.3% from 4.1%. Both of those figures are signaling an economic slowdown. How much of a slowdown will avail itself in coming months, but in the context of a market newly worried about a hard landing and the Fed making a policy mistake by keeping rates higher for longer, this report did not assuage those concerns. After the release of the jobs data, the Fed Fund Futures market priced in a 28% chance of a 25 bps rate cut and a 72% chance of 50 bps cut at the next Fed meeting. In the last week, the equity and bond markets have quickly repriced from a soft-landing scenario towards a view that the Fed has potentially kept rates too high for too long.

Q2 earnings season has been a mixed bag, with some companies exceeding expectations while others have fallen short. Tech titans Google, Microsoft, Meta, Amazon and Apple all reported quarterly financial earnings over the past week and a half. Revenues, generally, were high, and earnings for all five industry giants beat Wall Street projections. However, sectors exposed to the domestic consumer have faced headwinds.

Despite the aforementioned earnings results, the numbers, when paired with Tesla's lackluster Q2 earnings and a Fed on hold, sparked a sell-off across many big tech stocks during the final week of July and the beginning of August. The S&P slid 2.3% and Nasdaq fell 3.6% in the aftermath, representing the largest single-day dip for both since 2022.

As we move forward, the market landscape is poised to remain dynamic. The blend of economic recovery, corporate earnings, and geopolitical factors will continue to shape the market's trajectory. In these times of flux, remember the sage advice of diversifying your portfolio, staying grounded in your investment strategy, and keeping a close eye on the evolving indicators. These three principals will inform our portfolio management as we move through these volatile times.

SECTORS	2023	YTD	EQUITY INDICES	2023	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	55.80%	18.02%	S&P 500 INDEX	26.26%	10.21%	WTI CRUDE FUTURE Sep24	73.52	2.93%
S&P 500 CONS DISCRET IDX	42.30%	-2.50%	DOW JONES INDUS. AVG	16.18%	4.14%	BRENT CRUDE FUTR Oct24	76.81	1.60%
S&P 500 CONS STAPLES IDX	0.52%	11.22%	NASDAQ COMPOSITE	44.70%	9.11%	NATURAL GAS FUTR Sep24	1.97	-28.07%
S&P 500 ENERGY INDEX	-1.42%	4.85%	S&P 400 MIDCAP INDEX	16.39%	3.75%	LME COPPER 3MO ($)	9,055.50	5.80%
S&P 500 FINANCIALS INDEX	12.10%	9.95%	RUSSELL 1000 GROWTH INDX	42.67%	10.75%	Gold Spot $/Oz	2,408.58	16.69%
S&P 500 HEALTH CARE IDX	2.06%	8.84%	RUSSELL 1000 VALUE INDEX	11.41%	6.43%	Silver Spot $/Oz	27.11	14.70%
S&P 500 INDUSTRIALS IDX	18.08%	6.67%	RUSSELL MIDCAP RT INDEX	17.19%	3.55%	Euro Spot	1.09	-0.62%
S&P 500 INFO TECH INDEX	57.84%	15.24%	RUSSELL 2000 INDEX	16.88%	0.84%	British Pound Spot	1.28	0.28%
S&P 500 MATERIALS INDEX	12.55%	3.80%	MSCI ACWI ex US	15.62%	4.51%	Japanese Yen Spot	142.38	-1.49%
S&P 500 REAL ESTATE IDX	12.35%	5.83%	MSCI EAFE	18.95%	4.81%	DOLLAR INDEX SPOT	103.21	1.17%
S&P 500 UTILITIES INDEX	-7.08%	17.63%	MSCI EM	10.20%	5.73%			

Source: Bloomberg As of: 8/5/2024

Bloomberg Barclays Bond Indices	Total Return 2022	2023	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	-13.01%	5.53%	3.21%	6.26	8.45	4.35%	Effective Fed Funds	5.33%
Intermediate	-8.23%	5.24%	3.48%	3.94	4.38	4.09%	2-yr Treasury	3.88%
Global Agg ex USD	-18.70%	5.72%	-0.83%	7.16	8.69	2.64%	10-yr Treasury	3.79%
Inv Grade Corporate	-15.76%	8.52%	3.11%	7.29	10.90	4.94%	10-yr German Bund	2.18%
U.S. Corporate High Yield	-11.19%	13.45%	4.26%	3.60	4.85	7.70%	Prime Rate	8.50%
Tax Exempt								
Muni 1-10 Yr Blend (1-12)	-4.84%	4.61%	0.79%	3.92	6.30	3.07%		

Source: Bloomberg As of: 8/5/2024