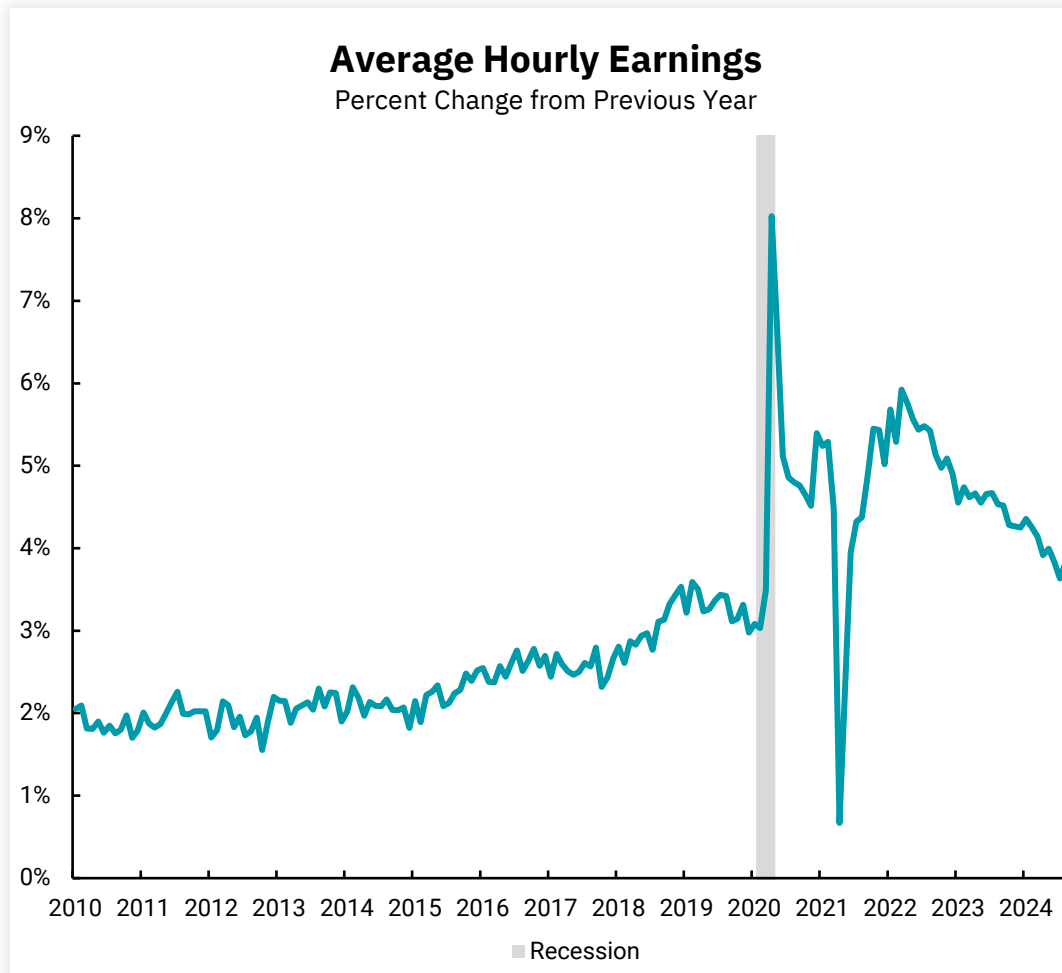


# Weekly market update



## Chart of the week (Sep. 6, 2024)



On Friday, we received the [August jobs report](#) from the Department of Labor (DOL), which economists and investors were awaiting for with even keener interest than usual. Given inflation's continued decline, the Federal Reserve has indicated that its primary focus, as it pertains to monetary policy, is shifting to the labor market. As Fed Chair Powell said in a recent speech at Jackson Hole, "We neither seek nor welcome further weakness in the labor market."

Since reaching a cycle low of 3.6%, the unemployment rate increased to July's reading of 4.3%. That move was enough to trigger the "Sahm Rule," created by a Fed economist named Claudia Sahm. This rule was designed to provide a signal from the labor market as to when the U.S. is going into a recession. However, Dr. Sahm has since indicated that the post-pandemic economy might be a bit different from what we have seen before, meaning that the signal might not be as certain this time. That said, historically unemployment has started up slowly but then begun to increase at a faster pace, which means spiking unemployment isn't completely off the table either.

With all this in mind, financial markets were hoping for additional clarity from the August jobs report as we consider the path of the Fed's interest rate cuts. The direction is clear—with rate cuts ahead, almost definitely starting at the Federal Open Market Committee's (FOMC) Sept. 19 meeting. However, there is still the question of whether they will move by a "normal" 25 basis points (0.25%) or feel the need to do more and reduce rates by 50 basis points (0.50%)?

From our lens, August's employment data falls more heavily on the side of a 25-basis point cut. While the number of new jobs missed expectations, coming in at 142,000 versus an expected 161,000, and there were downward revisions to the previous two months of job growth, the headline unemployment rate fell to 4.2%. At the same time, the work week expanded a bit and average hourly earnings, the subject of our chart this week, came in a bit hotter than expected. The Fed's focus may be shifting to the labor market but that does not mean they are going to ignore an inflation measure on wages as they consider their next move.

Moreover, this week's chart shows that there has been clear progress on wages within recent labor reports. One month of a higher-than-expected reading doesn't change the overall trend, but when we consider that economic growth remains positive along with the fact that there are still jobs being created, it would seem the Fed can begin a measured pace of cuts. The messaging will clearly be to expect more cuts at future meetings, but the need for faster than normal action from the Fed isn't there yet in the job market.

# Weekly market update



## Commentary (Sep. 6, 2024)

### Domestic Equities

- U.S. stocks were lower during the week as investors became more concerned about weakness in the economy. Tech stocks led the decline, with the Nasdaq Composite Index underperforming the S&P 500 Index. Small-caps underperformed large-caps for the week.
- Investors have shifted their focus from concerns about inflation to concerns about economic growth. Stocks declined sharply on slightly weaker-than-expected manufacturing data early in the week. Rather than cheering the weaker-than-expected report, which strengthens the case for the Fed to lower rates, stocks declined on fears that rising unemployment will weaken the economy.
- Broadcom reported guidance that was short of analysts' expectations, similar to Nvidia last week, adding to jitters about the trajectory of AI demand and driving tech stocks lower.

### Bonds

- U.S. Treasury yields moved lower on softer economic data and dovish comments by several Fed officials. The 2/10 Treasury curve also turned positive, with the market pricing in additional cuts for 2024 and 2025.
- Investment-grade credit was positive for the week, with the drop in rates driving returns. With borrowing costs near two-year lows, new issuance has picked up, with over \$80 billion in new deals pricing this week.
- High-yield bonds were also positive for the week, despite a slight rise in spreads. Across the market, the wireline sector and CCC-D-rated credits led the market higher on news that Frontier Communication was being bought out by Verizon and on Lumen's restructuring plans.
- In international markets, the Bank of Canada cut its policy rate by 0.25% to 4.25% on weaker growth, its third consecutive cut this year.

### International Equities

- Global stocks fell as investor sentiment soured after weaker U.S. economic data suggested the world's biggest economy is losing steam.
- Developed markets experienced broad-based losses across Europe, with technology stocks absorbing the most significant ones. Australia's GDP rose 1% over the last year, the weakest growth rate since the early 1990s, as stubborn inflation and higher borrowing costs have hampered their economy's growth rate.
- Emerging markets fell as semiconductor-related technology stocks across Asia tumbled amid concerns that valuations on AI-related stocks are too expensive relative to short-term profit expectations. Brazil's GDP growth rose more than expected in the second quarter, driven by strong consumer spending, raising the prospect of future interest rate hikes there.

### Economics

- The employment report released on Friday showed that the economy added 142,000 jobs and caused concerns about an economic slowdown. The unemployment rate moved slightly lower to 4.2%, however.
- Initial jobless claims were released on Thursday and came in slightly better than expectations. Reported claims were at 227,000 with the consensus being 230,000.
- Looking forward, the Core Consumer Price Index will be released on Wednesday, and the Core Producer Price Index will be released on Thursday. Both will be important readings for the Fed's decision later this month.

## Weekly Market Update

For Week Ending September 06, 2024

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	40,345.41	-2.9%	8.5%	19.5%
S&P 500 Index	5,408.42	-4.2%	14.5%	22.9%
NASDAQ Composite	16,690.83	-5.8%	11.7%	21.2%
S&P 400 Midcap Index	2,939.41	-4.9%	6.8%	14.9%
S&P 600 Smallcap Index	1,338.28	-5.2%	2.8%	13.7%
MSCI EAFE	8,468.37	-2.8%	8.8%	17.5%
MSCI Emerging Markets	571.69	-2.2%	7.1%	12.4%
Bloomberg US Agg	2,257.18	1.3%	4.4%	9.9%
Bloomberg Municipal 5 Yr	497.52	0.3%	1.8%	5.3%
Bloomberg US Corporate	3,375.55	1.3%	4.8%	12.1%
Bloomberg Glb Agg ex US Hdg	586.44	0.7%	3.8%	8.8%
Bloomberg High Yield	2,642.30	0.2%	6.5%	13.3%
MSCI US REIT Index	2,390.97	-0.7%	11.2%	21.1%
Bloomberg Commodity Index	223.16	-2.4%	-1.4%	-7.1%

	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Key Rates</b>				
Fed Funds Target	5.50%	5.50%	5.50%	5.50%
3-Month Treasury	5.05%	5.11%	5.33%	5.45%
1-Year Treasury	4.09%	4.40%	4.76%	5.42%
2-Year Treasury	3.65%	3.92%	4.25%	5.02%
5-Year Treasury	3.49%	3.70%	3.85%	4.42%
7-Year Treasury	3.59%	3.80%	3.88%	4.37%
10-Year Treasury	3.71%	3.90%	3.88%	4.28%
30-Year Treasury	4.02%	4.20%	4.03%	4.35%

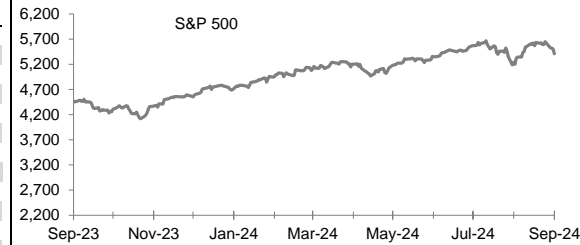
	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Consumer Rates</b>				
30-Year Mortgage	6.72%	6.80%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	9.25%
SOFR	5.34%	5.32%	5.38%	5.30%

	Last Price	Prior Week	Year End	Year Ago
<b>Commodities</b>				
Gold	2,497.41	2,503.39	2,062.98	1,916.56
Crude Oil (WTI)	67.67	73.55	71.65	79.04
Gasoline	3.28	3.34	3.12	3.80
Natural Gas	2.28	2.13	2.33	3.38
Copper	4.07	4.21	3.89	3.86

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	20.18	20.55	5.06	1.85
S&P 500	22.24	23.13	4.80	1.43
S&P 500 Value	17.78	18.13	2.90	2.35
S&P 500 Growth	28.70	30.97	10.86	0.69
NASDAQ	30.49	32.08	6.33	0.80
S&P Midcap 400	16.63	16.55	2.48	1.81
S&P Smallcap 600	16.32	16.40	1.85	2.58
MSCI EAFE	14.66	15.69	1.97	3.24
MSCI Emerging Markets	12.90	14.26	1.76	2.88

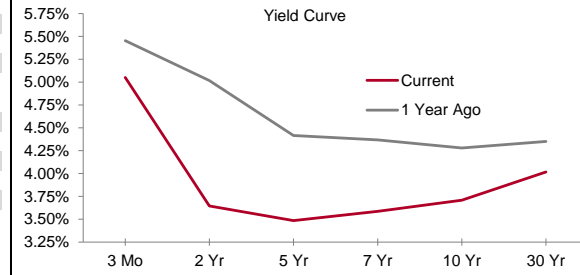
Source: Bloomberg

### Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
4.01	3.38	2.84	11.08	14.48	17.81
2.81	1.61	0.50	3.92	6.75	9.39
2.28	1.35	0.41	0.41	2.75	5.01

### Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
0.89	1.20	3.01	3.86	4.11	3.57
1.11	1.76	3.66	4.66	5.24	3.89
1.85	2.35	4.16	6.70	6.57	5.66

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	2.9%	3.2%
CPI Core Inflation	3.2%	4.7%
Personal Consumption Exp (PCE) Core	2.6%	4.2%

	Last Release	Year Ago
<b>Jobs</b>		
Unemployment Rate (U3)	4.2%	3.8%
Broader Unemployment Rate (U6)	7.9%	7.1%
JOLT Survey (in millions)	7.67	8.81
Jobless Claims (000's)	227	228
Change in Non-Farm Payroll (000's)	142	210
Average Hourly Earnings (Y/Y % Change)	3.8%	4.5%

	Last Release	Year Ago
<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	103.3	108.7
Consumer Spending (\$ Bil)	19,581	18,595
Consumer Credit (\$ Bil)	5,078	4,986
Retail Sales (\$ Bil)	710	691

	Last Release	Year Ago
<b>Housing</b>		
Housing Starts (000's)	1,238	1,473
Case-Shiller Home Price Index	325.23	308.52

	Last Release	Year Ago
<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	22,925	22,225
Quarter over Quarter Change	3.0%	2.1%
Year Over Year Change	3.1%	2.4%
ISM Manufacturing	47.20	47.60
Capacity Utilization	77.85	78.99
Markit US Composite PMI	54.60	50.20

	Last Release	Year Ago
<b>U.S. General</b>		
Leading Economic Indicators	100.4	105.9
Trade Weighted Dollar Index	122.6	120.2
EUR / USD	1.11	1.07
JPY / USD	142.30	147.66
CAD / USD	0.74	0.73
AUD / USD	0.67	0.64

### S&P 500 Sector Returns

	1 Month	YTD
Utilities	4.23%	21.93%
Financials	6.74%	18.72%
Consumer Staples	6.04%	18.43%
Information Technology	2.14%	18.17%
Communication Services	-0.69%	16.90%
Health Care	4.33%	13.84%
Industrials	3.08%	11.25%
Real Estate	4.96%	10.85%
Materials	1.57%	5.98%
Energy	-1.02%	5.11%
Consumer Discretionary	5.39%	3.38%

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