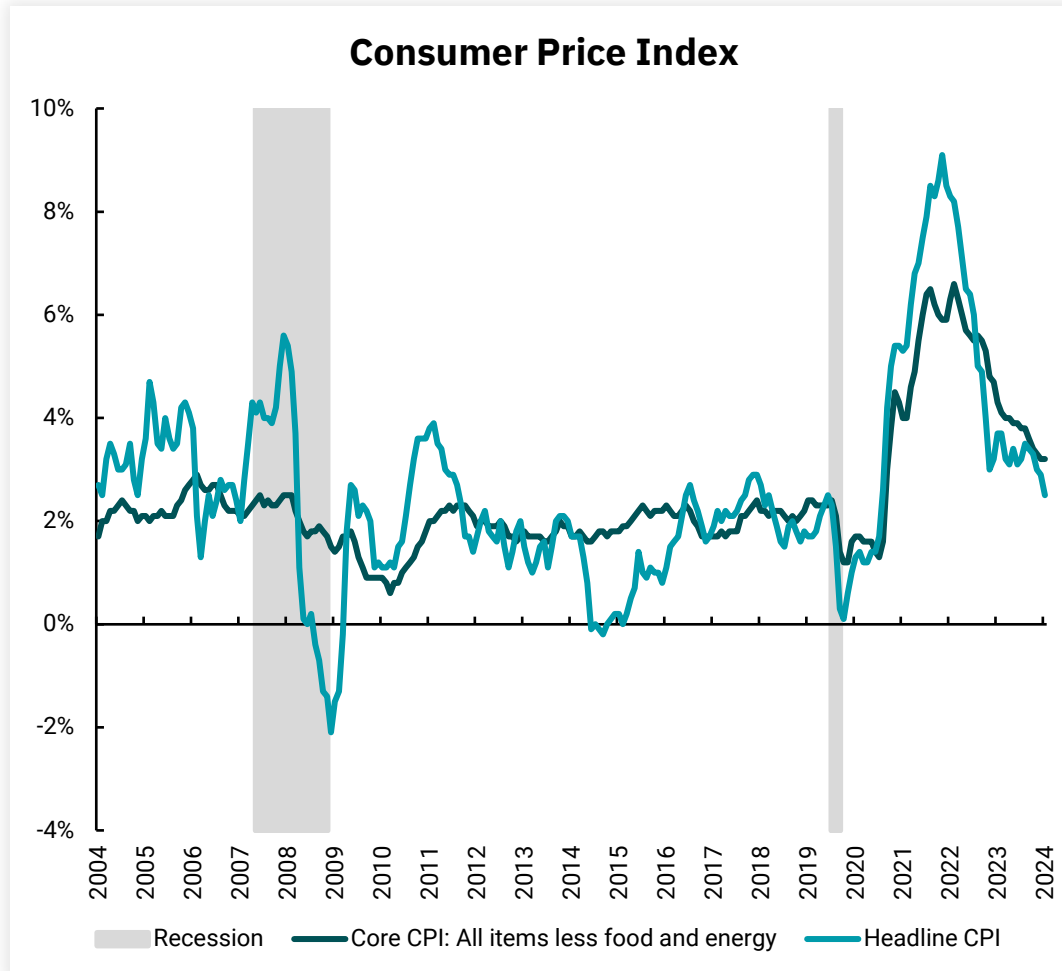


Weekly market update



Chart of the week (Sep. 13, 2024)



The Federal Reserve has a dual mandate of balancing both full employment and price stability. Despite some interruptions, inflation has been moving downward since peaking in 2022. However, in the last few months, certain metrics, such as nonfarm payrolls, have shown some deceleration in the labor market. These developments were reflected in Chairman Powell's speech at the Federal Reserve's Jackson Hole conference, where he spent considerable time focusing on the labor market instead of inflation.

The latest inflation cycle is shown in this week's chart of the Consumer Price Index (CPI) which stretches back to 2004. The CPI reports continue to show inflation in a downward trajectory. There was some heartburn associated with this week's reading on core inflation as it came in a bit hotter than expected month-over-month. But at this point, it's hard not to see the likely route of inflation coming down further over time. Unfortunately, investors won't receive the official Personal Consumption Expenditures (PCE) inflation data until the end of the month, but the CPI provides an appropriate snapshot. The primary driver of inflation remains shelter, which famously lags real-time shelter data not reflected in the CPI. As of this writing, futures markets are pricing in a roughly even split between the probability for a 0.25% rate cut and a 0.50% rate cut at the September 17-18 Federal Open Markets Committee (FOMC) meeting.

The markets should, all else equal, prefer a 0.50% cut over a 0.25% cut. Lower rates do many things, including raising the value of discounted cash flows as well as loosening the grip of higher interest rates on the cost of consumer and business financing. If the Fed were to enact a 0.50% cut, there is an argument in the financial media that this would cause investors to fret. While the initial market reaction to a 0.50% cut is hard to discern, investors should be cheering as the benefits accrued in the form of lower rates are apparent.

Although we remain believers in the positive (but moderating) economic growth story, a 0.50% cut can potentially remove more risk associated with the labor side of the mandate than a 0.25% cut. Investors will be looking forward to the retail sales report this week. The countdown to the Fed's decision is here.

Weekly market update



Commentary (Sep. 13, 2024)

Domestic Equities

- U.S. stocks had a strong week of gains, erasing month-to-date losses. Investors are focused on the Fed's meeting this week, expecting a cut for the first time since 2020. A 0.25% cut is nearly guaranteed, and futures pricing now shows a 40% probability of a 0.50% cut.
- Boeing's biggest labor union voted to go on strike, halting production on their best-selling 737 aircraft. This is the latest blow to the industry's supply chain, creating jet shortages for airlines.
- Oracle reported strong earnings this week and a significantly better-than-expected outlook over the next five years. The company has steadily grown in cloud computing, which has positioned it to gain business in the generative AI industry that is just starting to develop.
- High-end furniture retailer Restoration Hardware reported increased demand last quarter, a counterpoint to fears that consumer spending is slowing.

Bonds

- The U.S. Treasury yield curve bull-steepened, with short-term rates leading the market lower on slower headline inflation year-over-year and traders increasing bets that the Fed will cut rates by 0.50% next week.
- Mortgage rates in the U.S. fell with the national average on a 15-year fixed rate mortgage falling below 6%, its lowest level since April 2023.
- The European Central Bank (ECB) cut the deposit rate by 0.25% to 3.50% on slowing inflation and weakening economic growth across the eurozone. The central bank left its outlook broadly unchanged, and President Lagarde revealed little about future policy moves.
- Chinese government bond yields made new lows, with the 10-year closing the week just shy of 2%.

International Equities

- Global stock markets rebounded during the week, clawing back some of last week's losses. Investors remain focused on the Fed's upcoming meeting, anticipating the beginning of a new rate cut cycle.
- Foreign markets increased during the week following the previous week's losses as strength across European markets drove index returns higher. European stocks found strength after the European Central Bank cut interest rates by 0.25%, its second reduction this year. Investors anticipated the change after sluggish economic growth across the region and cooling inflation moving toward the central bank's target of 2%.
- Emerging markets rose as select markets in Asia and Latin America regained some momentum. In economic news, South Korea reported its August unemployment rate fell to 2.4%, the lowest since 1999.

Economics

- On Wednesday, CPI year-over-year came in at 2.5%, slightly below the consensus number of 2.6%. This was welcome news as the Federal Reserve prepares to possibly cut rates at the September meeting of the Federal Open Market Committee.
- Jobless claims were 230,000, which was right in line with consensus. This was also slightly elevated from last week's revised reading of 228,000.
- The Federal Reserve is scheduled to host a press conference on September 18 following its meeting. They are widely expected to cut interest rates in response to a weakening labor market.

Weekly Market Update

For Week Ending September 13, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	41,393.78	2.6%	11.4%	22.1%
S&P 500 Index	5,626.02	4.1%	19.1%	27.8%
NASDAQ Composite	17,683.98	6.0%	18.4%	29.0%
S&P 400 Midcap Index	3,034.34	3.3%	10.3%	20.4%
S&P 600 Smallcap Index	1,384.04	3.5%	6.3%	19.7%
MSCI EAFE	8,570.88	1.2%	10.1%	19.0%
MSCI Emerging Markets	576.19	0.8%	7.9%	13.9%
Bloomberg US Agg	2,268.62	0.5%	4.9%	10.0%
Bloomberg Municipal 5 Yr	498.33	0.2%	1.9%	5.5%
Bloomberg US Corporate	3,396.65	0.6%	5.5%	12.3%
Bloomberg Glb Agg ex US Hdg	588.37	0.3%	4.2%	9.2%
Bloomberg High Yield	2,652.79	0.4%	7.0%	13.4%
MSCI US REIT Index	2,482.81	3.8%	15.5%	26.5%
Bloomberg Commodity Index	229.26	2.7%	1.2%	-5.1%

	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	4.88%	5.05%	5.33%	5.45%
1-Year Treasury	4.01%	4.09%	4.76%	5.40%
2-Year Treasury	3.58%	3.65%	4.25%	4.97%
5-Year Treasury	3.43%	3.49%	3.85%	4.38%
7-Year Treasury	3.53%	3.59%	3.88%	4.33%
10-Year Treasury	3.65%	3.71%	3.88%	4.25%
30-Year Treasury	3.98%	4.02%	4.03%	4.34%

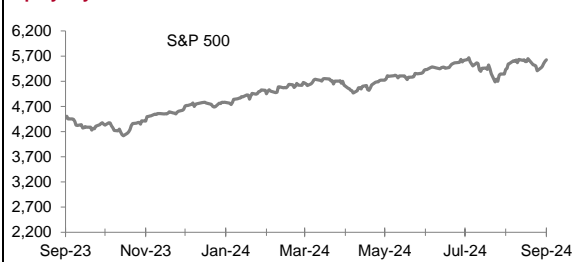
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	6.62%	6.72%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	9.25%
SOFR	5.33%	5.34%	5.38%	5.30%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,577.70	2,497.41	2,062.98	1,908.12
Crude Oil (WTI)	68.65	67.67	71.65	79.76
Gasoline	3.22	3.28	3.12	3.86
Natural Gas	2.31	2.28	2.33	3.40
Copper	4.24	4.07	3.89	3.86

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.73	21.09	5.19	1.80
S&P 500	23.15	24.06	5.00	1.37
S&P 500 Value	17.79	18.13	2.90	2.35
S&P 500 Growth	29.55	31.89	11.18	0.67
NASDAQ	33.48	34.04	6.70	0.75
S&P Midcap 400	17.22	17.08	2.55	1.75
S&P Smallcap 600	16.20	16.26	1.83	2.60
MSCI EAFE	14.68	15.66	1.96	3.25
MSCI Emerging Markets	12.89	14.23	1.76	2.88

Source: Bloomberg

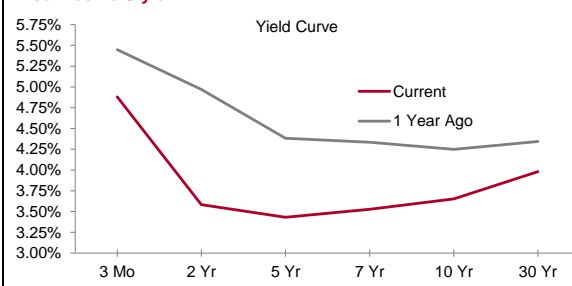
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	4.08	3.69	3.29	12.94	19.13	24.76
Mid	3.56	2.88	2.25	6.78	10.26	13.54
Small	4.11	3.34	2.57	3.55	6.31	9.00

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.94	1.26	3.22	4.08	4.44	4.38
Corp	1.11	1.68	3.68	4.91	5.67	4.99
HY	1.65	2.12	2.98	7.10	6.99	6.24

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.5%	3.7%
CPI Core Inflation	3.2%	4.3%
Personal Consumption Exp (PCE) Core	2.6%	4.2%
Jobs		
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)	230	227
Change in Non-Farm Payroll (000's)	142	210
Average Hourly Earnings (Y/Y % Change)	3.8%	4.5%
Consumer & Spending		
Consumer Confidence (Conf Board)	103.3	108.7
Consumer Spending (\$ Bil)	19,581	18,595
Consumer Credit (\$ Bil)	5,094	4,999
Retail Sales (\$ Bil)	710	691
Housing		
Housing Starts (000's)	1,238	1,473
Case-Shiller Home Price Index	325.23	308.52
U.S. Productivity		
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
U.S. General		
Leading Economic Indicators	100.4	105.9
Trade Weighted Dollar Index	122.7	122.2
EUR / USD	1.11	1.07
JPY / USD	140.85	147.46
CAD / USD	0.74	0.74
AUD / USD	0.67	0.64

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	2.80%	26.84%
Utilities	5.93%	26.15%
Communication Services	-0.27%	21.96%
Consumer Staples	6.14%	19.82%
Financials	4.69%	19.34%
Health Care	3.30%	15.52%
Industrials	4.46%	15.42%
Real Estate	8.03%	14.86%
Consumer Discretionary	8.45%	9.74%
Materials	4.08%	9.34%
Energy	-3.95%	4.40%

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