

August 2024 Recap

Global Market Commentary – A Very Good August

Global Markets Turn in a Good August

Stock markets in the U.S. and around the world were volatile in August, but rallied in the last couple of weeks to turn in mostly solid positive numbers, with the exception of the smaller-caps, which struggled. Unlike the past couple of months, markets in the United States performed marginally worse versus markets in international, developed markets and marginally better than those in emerging markets.

The month's big news (maybe) was that the mega-cap DJIA closed the last two trading days of August with consecutive record highs, pushing it to double-digit gains so far YTD (+10.3%). And while those numbers are great, there is still quite a bit of daylight between the YTD returns for the DJIA (+10.3%) and the S&P 500 (+18.4%) and NASDAQ (+18.0%).

For the month of August:

- The DJIA added 2.0%;
- The S&P 500 advanced 3.9%;
- NASDAQ gained 3.3%; and
- The Russell 2000 lost 1.1%.

In keeping with U.S. markets, performance in developed markets outside the U.S. in July was very good too, as 40 of the 41 developed markets tracked by MSCI advanced. Performance in the emerging markets tracked by MSCI was slightly worse, with "only" 39 of those 46 indices advancing.

The theme that drove market performance in August remained centered around inflation, including a few more positive data sets that inflation might be abating

and that the Fed might begin cutting rates in September. In fact, after leaving rates unchanged at the July FOMC meeting, Wall Street is now certain that there will be a rate cut at the September meeting and ascribing a 33% chance of a 50 basis point rate cut.

Volatility, as measured by the VIX, consistently declined this month, losing about 15%, although there was a very sizeable spike early in the month.

West Texas Intermediate crude, generally trended within a very tight band all month, losing \$1.08/barrel (-1.45%) and coming to rest at \$73.45/barrel.

Market Performance Around the World

Investors looking outside the U.S. saw good performance, as 40 of the 41 developed markets tracked by MSCI advanced this month. Performance for emerging markets was worse, with only 39 of those 46 indices advancing for the month.

Index Returns	August 2024
MSCI EAFE	+3.02%
MSCI EURO	+4.04%
MSCI FAR EAST	+0.96%
MSCI G7 INDEX	+2.35%
MSCI NORTH AMERICA	+2.34%
MSCI PACIFIC	+1.60%
MSCI PACIFIC EX-JAPAN	+4.04%
MSCI WORLD	+2.51%
MSCI WORLD ex USA	+3.12%

Source: MSCI. Past performance cannot guarantee future results

Sector Performance Was Good

For the month of August, sector performance was good, as 9 of the 11 S&P 500 sectors advanced. Interestingly, this was exactly what occurred during the month of July too. Contrast that with the month of June, where sector performance was more mixed, as only 6 of the 11 S&P 500 sectors advanced.

Further, August's performance saw only 3 sectors advance on a relative basis from July, whereas July saw 8 sectors advance on a relative basis from June. Plus in August there were a few significant changes – such as Communication Services going from -4.16% to +2.75% in just a month.

Finally, and not surprisingly, for August the range in sector-returns broadened considerably relative to previous months, with Utilities gaining more than 6% and Energy losing almost 2%. That is a very significant range in just a single month.

Here are the sector returns for the month of August and July (two very short time-periods):

S&P 500 Sector	July 2024	August 2024
Information Technology	-2.12%	+1.43%
Energy	+2.03%	-1.53%
Health Care	+2.49%	+4.04%
Real Estate	+7.12%	+5.75%
Consumer Staples	+1.77%	+4.18%
Consumer Discretionary	+1.64%	-0.36%
Industrials	+4.84%	+2.81%
Financials	+6.31%	+4.19%
Materials	+4.31%	+2.05%
Communication Services	-4.16%	+2.75%
Utilities	+6.73%	+6.0%

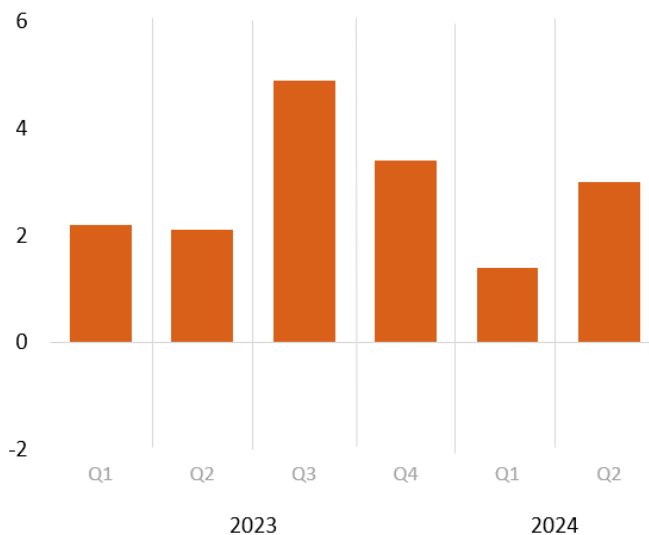
Source: FMR

GDP Revised Up to 3.0% from 2.8%

Real gross domestic product (GDP) increased at an annual rate of 3.0% in the second quarter of 2024, according to the "second" estimate released by the U.S. Bureau of Economic Analysis. In the first quarter, real GDP increased 1.4%.

The "second" GDP estimate is based on more complete source data than were available for the "advance" estimate issued last month. In the advance estimate, the increase in real GDP was 2.8%. The update primarily reflected an upward revision to consumer spending.

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

The increase in **real GDP** primarily reflected increases in consumer spending, private inventory investment, and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Compared to the first quarter, the acceleration in **real GDP** in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in consumer spending. These movements were partly offset by a downturn in residential fixed investment.

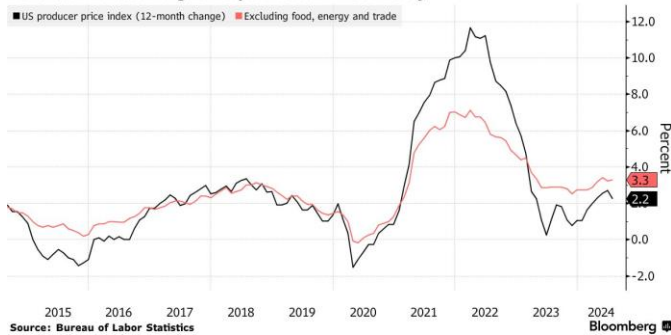
Current-dollar GDP increased 5.5 % at an annual rate, or \$383.2 billion, in the second quarter to a level of \$28.65 trillion, an upward revision of \$23.2 billion from the previous estimate.

PCE Price Index Slows

US producer prices – the Fed's preferred measure of inflation – rose much less than forecasted by economists last month, the first decline in services costs this year.

The **price index for gross domestic purchases** increased 2.4% in the second quarter, an upward revision of 0.1% from the previous estimate. **The personal consumption expenditures (PCE) price index** increased 2.5%, a downward revision of 0.1%. Excluding food and energy prices, the PCE price index increased 2.8%, a downward revision of 0.1%.

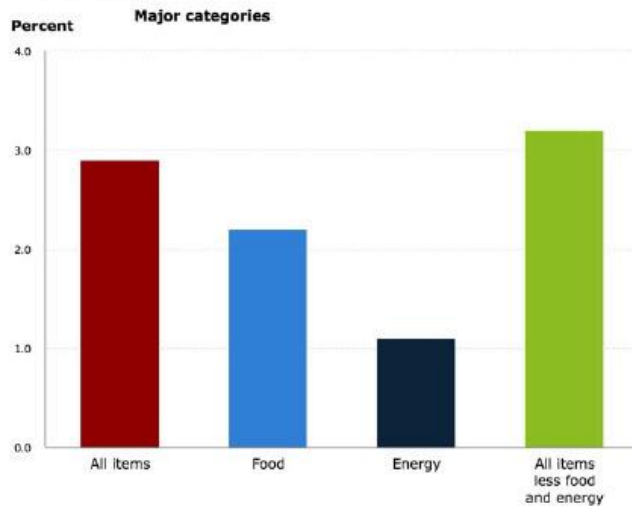
US Producer Price Inflation Moderates
 Reversal in trade margins helped restrain rise in July



Consumer Price Index Up 0.2%

The Consumer Price Index for All Urban Consumers increased 0.2% on a seasonally adjusted basis, after declining 0.1% in June, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all items index increased 2.9% before seasonal adjustment.

12-month percentage change, Consumer Price Index, selected categories, July 2024, not seasonally adjusted



The index for shelter rose 0.4% in July, accounting for nearly 90% of the monthly increase in the all items index. The energy index was unchanged over the month, after declining in the two preceding months.

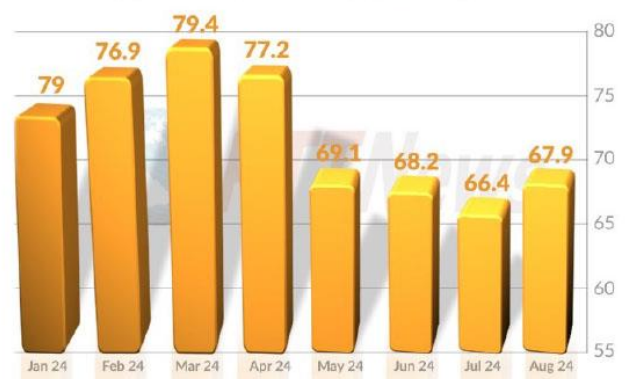
The index for food increased 0.2% in July, as it did in June. The food away from home index rose 0.2% over the month, and the food at home index increased 0.1%.

Consumer Sentiment Rises for 1st Time in Five Months

According to the University of Michigan, “Consumer sentiment confirmed its early-month reading; after drifting down for four months, sentiment inched up 1.5 index points above July and is currently 36% above the all-time historic low from June 2022.

Consumers’ short- and long-run economic outlook improved, with both figures reaching their most favorable levels since April 2024 and a particularly sizable 10% improvement for long-run expectations that was seen across age and income groups. Sentiment this month reflects a slight rise in sentiment among Independents, as Democrats and Republicans offset each other almost perfectly. Democrats exhibited a large 10% increase in sentiment while Republicans posted an equally sized decline. These patterns resulted from a sea change in election expectations this month with Harris emerging as the Democratic candidate for president. In July, 51% of consumers expected Trump to win the election versus 37% for Biden. In August, election expectations flipped; 36% expected Trump to win compared with 54% for Harris. Economic and election expectations are both subject to change as election day approaches.

U.S. CONSUMER SENTIMENT INDEX



Corporate Earnings

Late in the month, research firm FactSet reported on Q2 earnings. Specifically, with 93% of S&P 500 companies reporting actual results:

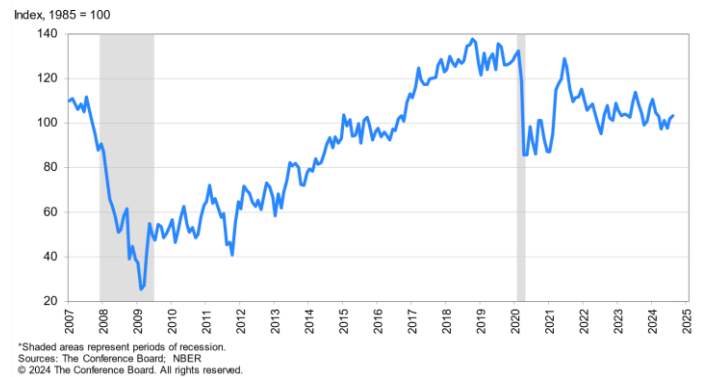
- 79% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.
- For Q2 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 10.9%. If 10.9% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%).
- For Q3 2024, 48 S&P 500 companies have issued negative EPS guidance and 41 S&P 500 companies have issued positive EPS guidance.
- The forward 12-month P/E ratio for the S&P 500 is 21.0. This P/E ratio is above the 5-year average (19.4) and above the 10-year average (17.9).

U.S. Consumer Confidence Rises Slightly

The Conference Board's Consumer Confidence Index rose in August to 103.3 (1985=100), from an upwardly revised 101.9 in July. Further:

- The **Present Situation Index** – based on consumers' assessment of current business and labor market conditions – improved to 134.4 from 133.1 in July.
- The **Expectations Index** – based on consumers' short-term outlook for income, business, and labor market conditions – also improved in August to 82.5.
- As the Expectations Index for July was revised up to 81.1, August marked the second consecutive month of the Index above 80. (A reading below the threshold of 80 usually signals a recession ahead.)

Consumer Confidence Index®

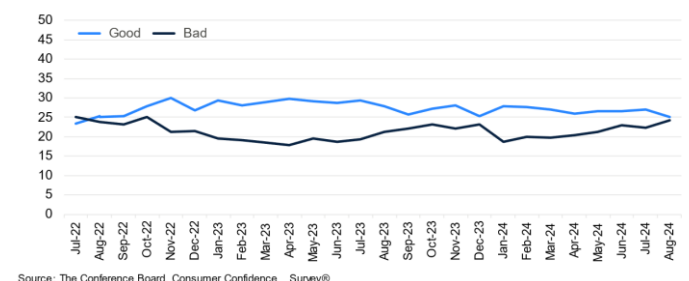


“Overall consumer confidence rose in August but remained within the narrow range that has prevailed over the past two years. Consumers continued to express mixed feelings in August. Compared to July, they were more positive about business conditions, both current and future, but also more concerned about the labor market. Consumers’ assessments of the current labor situation, while still positive, continued to weaken, and assessments of the labor market going forward were more pessimistic. This likely reflects the recent increase in unemployment. Consumers were also a bit less positive about future income.”

Assessment of Family Finances/Recession Risk

Consumers’ assessment of their **Family’s Current Financial Situation** weakened further in August.

Family’s Current Financial Situation (Percent)



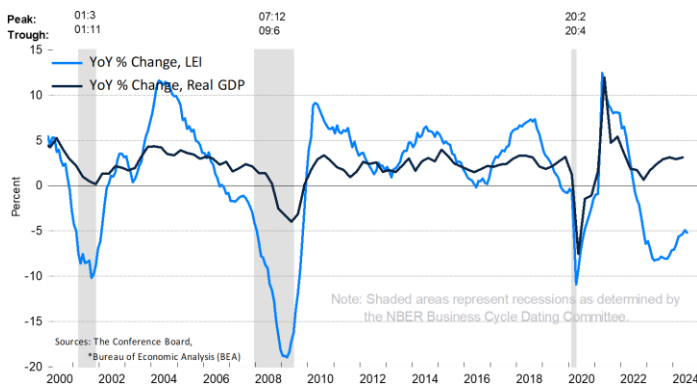
“Consumers were likely rattled by the financial market turmoil in early August, as they were less upbeat about the stock market. In August, 46.9% of consumers expected stock prices to increase over the year ahead (down from 50.6% in July), while 27.2% expected a decrease (up from 23.1%).

August's write-in responses also included more mentions of stock prices and unemployment as affecting consumer's views of the US economy. However, consumers did not change their views about a possible recession: the proportion of consumers predicting a recession was stable and well below the 2023 peak."

Leading Economic Index Declined In July

The Conference Board Leading Economic Index (LEI) for the U.S. fell by 0.6% in July 2024 to 100.4 (2016=100), following a decline of 0.2% in June. Over the six-month period ending in July 2024, the LEI fell by 2.1%, a smaller rate of decline than its -3.1% over the six-month period between July 2023 and January 2024.

The LEI's annual growth rate has stabilized but remains negative, suggesting downward pressures on economic activity ahead



"The LEI continues to fall on a month-over-month basis, but the six-month annual growth rate no longer signals recession ahead. In July, weakness was widespread among non-financial components. A sharp deterioration in new orders, persistently weak consumer expectations of business conditions, and softer building permits and hours worked in manufacturing drove the decline, together with the still-negative yield spread. These data continue to suggest headwinds in economic growth going forward. The Conference Board expects US real GDP growth to slow over the next few quarters as consumers and businesses continue cutting spending and investments. US real GDP is expected to expand at a pace of 0.6% annualized in Q3 2024 and 1% annualized in Q4."

Sources: [conference-board.org](https://www.conference-board.org); [bls.gov](https://www.bls.gov); umich.edu; [msci.com](https://www.msci.com); [fidelity.com](https://www.fidelity.com); [nasdaq.com](https://www.nasdaq.com); [wsj.com](https://www.wsj.com); [morningstar.com](https://www.morningstar.com); [conference-board.org](https://www.conference-board.org); [bls.gov](https://www.bls.gov)