



WEEK OF SEPTEMBER 9, 2024

Market Update

The August employment report was a major catalyst for the worst weekly performance by the S&P 500 in more than a year. Concerns over slowing growth contributed to cyclicals falling (led by big tech), whereas defensive industries outperformed.

Quick Hits

- 1. Report releases:** The August employment report missed expectations and was downwardly revised for prior months.
- 2. Financial market data:** The poor employment report helped send stocks lower.
- 3. Looking ahead:** The Consumer Price Index (CPI) inflation report comes out this week.

Report Releases: September 3–6, 2024

ISM Manufacturing Index August (Tuesday)

Manufacturer confidence improved modestly despite slowing manufacturing hiring during the month.

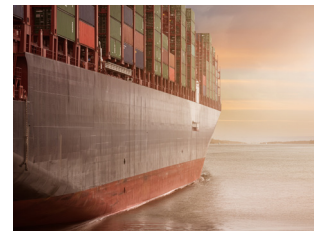
- Expected/prior ISM Manufacturing index: 47.5/46.8
- Actual ISM Manufacturing index: 47.2



Trade Balance July (Wednesday)

The trade deficit widened to its largest level in more than two years. The increase was driven by a 2.1 percent rise in imports during July that outweighed a 0.5 percent increase in exports.

- Expected/prior trade deficit: –\$79.0 billion/–\$73.0 billion
- Actual trade deficit: –\$78.8 billion



ISM Services Index August (Thursday)

Service sector confidence improved modestly after rising more than expected in July. New orders picked up and hiring growth slowed.

- Expected/prior ISM Services index: 51.4/51.4
- Actual ISM Services index: 51.5



Employment Report August (Friday)

Hiring accelerated in August; 142,000 jobs were added following a downwardly revised 89,000 in July. The unemployment rate fell from 4.3 percent to 4.2 percent.

- Expected/prior change in nonfarm payrolls: +165,000/–89,000
- Actual change in nonfarm payrolls: +142,000



>> The Takeaway

- The employment report missed expectations and, when combined with prior downward revisions, gave the market cause for concern with slowing growth expectations.
- The market saw yields fall as it priced in faster rate cut expectations for the Federal Reserve (Fed).

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-4.22%	-4.22%	14.48%	22.89%
Nasdaq Composite	-5.75%	-5.75%	11.75%	21.28%
DJIA	-2.90%	-2.90%	8.51%	19.47%
MSCI EAFE	-2.81%	-2.81%	9.31%	18.22%
MSCI Emerging Markets	-2.24%	-2.24%	7.35%	12.73%
Russell 2000	-5.67%	-5.67%	4.13%	13.23%

Source: Bloomberg, as of September 6, 2024

U.S. equities fell, with the S&P 500 posting its worst weekly performance since March 2023. The Nasdaq and Russell 2000 lagged the S&P 500 as investors grew concerned that the employment report and other economic data is pointing to a slowdown in growth. Technology led the declines, with other cyclicals also underperforming, including industrial metals, energy, apparel, retail, banks, and cruise lines. Outperformers were primarily defensive sectors, including food and beverage, tobacco, and telecommunications. Airlines also outperformed due to a sell-off in oil; WTI crude fell 8 percent.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.84%	4.40%	9.93%
U.S. Treasury	1.58%	4.01%	8.57%
U.S. Mortgages	1.84%	4.58%	10.23%
Municipal Bond	0.07%	1.81%	6.77%

Source: Bloomberg, as of September 6, 2024

Treasury yields fell across the curve as investors priced in a weaker economy and faster rate cut expectations by the Fed. The 2-year dipped below 3.7 percent and the 10-year fell to just 3.75 percent, causing the yield curve to uninvert for the first time since July 2022. Expectations for the Federal Open Market Committee (FOMC) meeting next week are split between cuts of 25 basis points (bps) and 50 bps.

>> The Takeaway

- The market responded negatively to last week's poor employment report.
- The Fed has one more major data point coming out this week (CPI) that could affect yields and market sentiment.

Looking Ahead

This week, the focus will be on Wednesday's CPI report, which will be a critical factor in the FOMC's decision-making process.

- The August CPI report on Wednesday is expected to show that consumer inflation dropped to 2.6 percent, with core inflation set to remain unchanged at 3.2 percent.
- The August Producer Price Index (PPI) report on Thursday is expected to show signs of softening, with year-over-year price growth set to slow from 2.2 percent to 1.8 percent.
- On Friday, the preliminary University of Michigan consumer sentiment survey for September is expected to show modest improvements.





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measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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