

WEEKLY MARKET COMMENTARY

August 19, 2024

THE WEEK IN REVIEW

Broad equity markets roared higher for the week as investors reacted positive to inflation readings and a stronger- than- expected jobless claims report:

- The S&P 500 was up **3.93%**
- The Dow Jones Industrial Average increased by **2.94%**
- The Nasdaq Composite led major indices ending up **5.29%**
- The 10-Year Treasury closed at **3.88%**

Consumer inflation expectations were measured on Monday for the month of July, coming in at 3%. Inflation expectations have consistently stayed around 3% each month since January 2024.

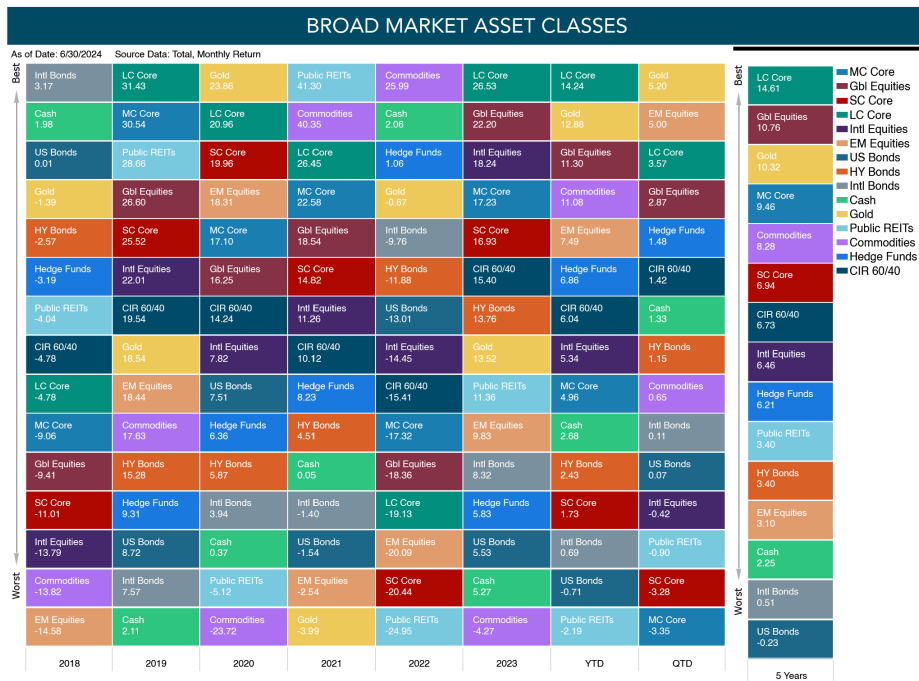
Midway through the week, changes in the price of goods and services were measured for the month of July through the consumer price index (CPI), which revealed a 2.9% year-over-year increase, marking the second consecutive month below 3%, and the lowest level since March 2021. Additionally, Core CPI rose by 3.2% annually, reaching a 40-month low, suggesting a gradual but favorable inflation trend. Furthermore, the latest wholesale inflation report or producer-price index (PPI), which measures the prices businesses receive for their goods and services, rose 0.1% in July, which was less than the 0.2% month-over-month increase economists had been expecting. On an annual basis, PPI increased 2.2%, the smallest year-over-year increase since March. Stripping out volatile food and energy prices, the Core PPI figures showed no change from July.

Later in the week, weekly continuing jobless claims pointed bullish for the labor market with a reading of 1,864, lower than the previous and forecasted numbers. Readings from the previous two weeks have increasingly measured more continuous claims compared to the prior. Furthermore, the University of Michigan released their Consumer Expectations Index for the month of August, showing that consumers are anticipating a hot economy with the reading coming in at 72.1, higher than the previous reading of 68.8.

SPOTLIGHT

First Half Market Update

As we move closer toward the end of summer and further into Q3, we take a look at the first half of the year to get an overview of what asset classes performed well in both equities and fixed income.



LEGEND, CATEGORY, MARKET INDEX

LC Core, Large Cap Core, Russell 10000 TR USD
Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

SC Core, Small Cap Core, Russell 2000 TR USD
Measures the performance of the small-cap segment of the U.S. equity universe, represents approximately 10% of the total market capitalization and includes approximately 2000 of the smallest securities.

MC Core, Mid Cap Core, Russell Midcap TR USD
Measures the performance of the mid-cap segment of the U.S. equity universe, represents approximately 31% of the total market capitalization and includes approximately 800 of the smaller securities.

GBL Equities, Global Equities, MSCI All Country Weighted Index (ACWI) NR USD
A free float-adjusted market capitalization weighted index that measures the equity market performance of developed and emerging markets. It consists of 44 country indices comprising 23 developed and 21 emerging market country indices

Int'l. Equities, Developed International Equities, MSCI EAFE NR USD
Measures the performance of the developed equity markets of Europe, Australasia and the Far East

EM Equities, Emerging Market Equities, MSCI EM NR USD
Measures the performance of emerging equity markets.

Public REITs, US Public Real Estate, FTSE NAREIT All REIT TR USD
Measures the performance of all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

Hedge Fund, Hedge Fund, Credit Suisse Hedge Fund USD
The index measures the performance of approximately 9,000 funds. It is an asset-weighted hedge fund index and includes only funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements.

CIR 60/40, Traditional 60/40 proxy TR USD
This index is a blended benchmark that serves as a proxy for the traditional 60/40 model portfolio. It is composed of the following allocations: 36% Russell 3000 TR USD, 24% MSCI ACWI ex USA NR USD, 30% Barclays US Aggregate Bond TR USD, and 10% Barclays Global Aggregate Bond ex USA TR Hedge USD. This benchmark is rebalanced quarterly.

Cash, Cash and Cash Equivalents, US 3-Month Treasury Bills
This index is the performance of treasury bills transaction that takes place in the United State secondary market with 3 months maturity periods. Its return type is yield since the treasury bills are traded at a certain percentage yield in this particular market.

SP GSCI, SP Commodity Index (Production Weighted), S&P GSCI Commodity TR USD
Measures the performance of the commodity sector representing an unleveraged, long-only investment in commodity futures that is broadly diversified, production weighted.

Int'l. Bonds, International Bond, Bloomberg Barclays ex-USA. Aggregate Bond -Hedged TR USD
The index measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities, and is hedged to the US dollar.

US Bonds, US Bonds Core, Bloomberg Barclays U.S. Aggregate Bond TR USD
Measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS, and CMBS.

High Yield, High Yield, Bloomberg Barclays US High Yield Very Liquid Index (VLI) TR USD
The index tracks a liquid subset of USD-denominated, high-yield, fixed-rate corporate bonds. It includes bonds with at least \$500 million outstanding and less than five years from issuance, while capping issuer exposure at 2% of total market value. This index is a more liquid component of the broader US Corporate High Yield Index, using the same eligibility criteria but with additional liquidity constraints

Gold, Gold, LBMA Gold Price PM Index USD
The LBMA Gold Price PM Index measures the performance of setting price of gold, determined twice each business day on the London bullion market by the five members of The London Gold Market Fixing Ltd. It is designed to fix a price for settling contracts between members of the London bullion market, but informally the gold fixing provides a recognized rate that is used as a benchmark for pricing the majority of gold products and derivatives throughout the world's markets.

Source: Morningstar Direct

Broad markets continue to be dominated by equities, specifically U.S. equities. Gold has also performed well as investors continue to invest in the asset as a hedge against deteriorating purchasing power and geo-political risks.

After rebounding last year, real estate (public real estate investment trusts, or REITs) has struggled year to date as interest rates remain elevated. Treasury bonds continue to struggle as well for similar reasons.

Alternative asset classes such as hedge funds and commodities have provided some modest returns for clients who have allocated away from bonds into these strategies.

PERIOD TABLE - EQUITY MARKETS									
As of Date: 6/30/2024 Source Data: Total, Monthly Return									
	LC Growth -1.51	LC Growth 36.39	LC Growth 38.49	MC Value 29.34	LC Value -7.54	LC Growth 42.68	LC Growth 20.70	LC Growth 8.33	
	MC Growth -4.75	MC Growth 35.47	MC Growth 35.59	SC Value 28.27	MC Value -12.03	LC Core 26.53	LC Core 14.24	EM Equities 5.00	
	LC Core -4.78	LC Core 31.43	SC Growth 34.63	LC Growth 27.60	Intl Equities -14.45	MC Growth 25.87	Gbl Equities 11.30	LC Core 3.57	
	LC Value -8.27	MC Core 30.54	LC Core 20.96	LC Core 26.45	SC Value -14.48	Gbl Equities 22.20	EM Equities 7.49	Gbl Equities 2.87	
	MC Core -9.06	SC Growth 28.48	SC Core 19.96	LC Value 25.16	MC Core -17.32	SC Growth 18.66	LC Value 6.62	Intl Equities -0.42	
	SC Growth -9.31	MC Value 27.06	EM Equities 18.31	MC Core 22.58	Gbl Equities -18.36	Intl Equities 18.24	MC Growth 5.98	LC Value -2.17	
	Gbl Equities -9.41	Gbl Equities 26.60	MC Core 17.10	Gbl Equities 18.54	LC Core -19.13	MC Core 17.23	Intl Equities 5.34	SC Growth -2.92	
	SC Core -11.01	LC Value 26.54	Gbl Equities 16.25	SC Core 14.82	EM Equities -20.09	SC Core 16.83	MC Core 4.96	MC Growth -3.21	
	MC Value -12.29	SC Core 25.52	Intl Equities 7.82	MC Growth 12.73	SC Core -20.44	SC Value 14.65	MC Value 4.54	SC Core -3.28	
	SC Value -12.86	SC Value 22.39	MC Value 4.96	Intl Equities 11.26	SC Growth -26.36	MC Value 12.71	SC Growth 4.44	MC Core -3.35	
	Intl Equities -13.79	Intl Equities 22.01	SC Value 4.63	SC Growth 2.83	MC Growth -26.72	LC Value 11.46	SC Core 1.73	MC Value -3.40	
	EM Equities -14.58	EM Equities 18.44	LC Value 2.80	EM Equities -2.54	LC Growth -29.14	EM Equities 9.83	SC Value -0.85	SC Value -3.64	
	2018	2019	2020	2021	2022	2023	YTD	OTD	
									5 Years

Source: Morningstar Direct

LEGEND, CATEGORY, MARKET INDEX

LC Growth, Large Cap Growth, Russell 1000 Growth TR USD

Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

LC Core, Large Cap Core, Russell 1000 TR USD

Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

LC Value, Large Cap Value, Russell 1000 Value TR USD

Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

MC Growth, Mid Cap Growth, Russell Midcap Growth TR USD

Measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-value ratios and higher forecasted growth values.

MC Core, Mid Cap Core, Russell Midcap TR USD

Measures the performance of the mid-cap segment of the U.S. equity universe, represents approximately 31% of the total market capitalization and includes approximately 800 of the smaller securities.

MC Value, Mid Cap Value, Russell Midcap Value TR USD

Measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

SC Growth, Small Cap Growth, Russell 2000 Growth TR USD

Measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

SC Core, Small Cap Core, Russell 2000 TR USD

Measures the performance of the small-cap segment of the U.S. equity universe, represents approximately 10% of the total market capitalization and includes approximately 2000 of the smallest securities.

SC Value, Small Cap Value, Russell 2000 Value TR USD

Measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Gbl. Equities, Global Equities, MSCI All Country Weighted Index (ACWI) NR USD

A free float-adjusted market capitalization weighted index that measures the equity market performance of developed and emerging markets. It consists of 44 country indices comprising 23 developed and 21 emerging market country indices

Intl. Equities, Developed International Equities, MSCI EAFE NR USD

Measures the performance of the developed equity markets of Europe, Australasia and the Far East

EM Equities, Emerging Market Equities, MSCI EM NR USD

Measures the performance of emerging equity markets.

Source: Morningstar Direct

For equities, the first half of 2024 was characterized by the same pattern that investors have experienced over the last few years, with mega cap tech stocks outperforming all the other sectors. This continued to lead the S&P 500 and Nasdaq to all-time highs; the S&P 500 posted 31 record highs for the year. This was in sharp contrast with the Russell 2000 small cap index which had not hit a fresh high since 2021, the third longest

stretch since the dot-com bubble burst. Given the difference in performance between large and small-cap stocks, the differential in their price-to-earnings ratios was one standard deviation from their average.

Market performance continued to be narrow with only two of the 11 Global Industry Classification Standard (GICS) sectors outperforming the S&P 500 in the first half of the year. Perhaps more interestingly, there were more stocks at their 52-week lows than 52-week highs in the S&P 500 for the first time ever, as most of the returns were driven by only four stocks: Microsoft, Nvidia, Meta, and Alphabet.

PERIOD TABLE - FIXED INCOME MARKETS									
As of Date: 6/30/2024 Source Data: Total, Monthly Return									
Int'l Bonds	High Yield	Long Term	TIPS	Cash	High Yield	Loans	Loans		
3.17	15.28	17.55	5.96	2.06	13.76	4.40	1.90		
ABS	Long Term	TIPS	Loans	Loans	Loans	Cash	Cash		
2.12	14.75	10.99	5.20	-0.77	13.32	2.68	1.33		
Cash	EM Debt	Corporates	High Yield	Short Term	EM Debt	ABS	ABS		
1.98	14.31	9.81	4.51	-3.82	11.92	2.53	1.24		
Short Term	Corporates	US Govt	Munis	ABS	Corporates	High Yield	High Yield		
1.56	14.23	8.00	1.52	-4.43	8.40	2.43	1.15		
Int. Term	US Bonds	Int. Term	ABS	Munis	Int'l Bonds	Short Term	Short Term		
1.35	8.72	7.67	0.34	-8.53	8.32	1.19	0.91		
Munis	Loans	US Bonds	Cash	Int'l Bonds	Munis	TIPS	TIPS		
1.28	8.64	7.51	0.05	-9.78	6.40	0.70	0.79		
MBS	TIPS	High Yield	Short Term	Int. Term	ABS	Int'l Bonds	Int. Term		
1.00	8.43	5.87	-0.60	-10.90	6.28	0.69	0.34		
US Govt	Int'l Bonds	Munis	Corporates	TIPS	US Bonds	Corporates	MBS		
0.86	7.57	5.21	-0.95	-11.85	5.53	0.04	0.23		
Loans	Munis	MBS	MBS	High Yield	Cash	Munis	Corporates		
0.44	7.54	4.09	-1.21	-11.86	5.27	-0.40	0.12		
US Bonds	US Govt	EM Debt	Int'l Bonds	MBS	MBS	Int. Term	Int'l Bonds		
0.01	6.86	4.02	-1.40	-11.88	4.98	-0.48	0.11		
TIPS	MBS	Int'l Bonds	US Bonds	US Govt	Short Term	US Bonds	US Govt		
-1.28	6.51	3.94	1.54	-12.46	4.29	0.71	0.10		
Long Term	Int. Term	ABS	US Govt	US Bonds	Int. Term	EM Debt	US Bonds		
-1.79	6.43	3.82	-2.32	-13.01	4.27	-0.72	0.07		
Corporates	ABS	Short Term	Int. Term	EM Debt	US Govt	MBS	Munis		
-2.25	4.22	3.16	-2.49	-14.75	4.05	-0.94	-0.02		
High Yield	Short Term	Loans	Long Term	Corporates	TIPS	US Govt	EM Debt		
-2.57	3.59	3.12	-4.57	-15.44	3.90	-0.86	-0.67		
EM Debt	Cash	Cash	EM Debt	Long Term	Long Term	Long Term	Long Term		
-5.15	2.11	0.37	-5.32	-29.19	3.11	-4.39	-1.80		
	2018	2019	2020	2021	2022	2023	YTD	QTD	

Best

Worst

Loans 5.53

High Yield 3.40

Cash 2.25

TIPS 2.07

ABS 1.90

Munis 1.16

Short Term 1.02

Corporates 0.76

Int'l Bonds 0.51

US Bonds -0.23

Int. Term -0.26

EM Debt -0.62

US Govt -0.65

MBS -0.75

Long Term -4.24

- Cash
- US Bonds
- Int'l Bonds
- TIPS
- Munis
- High Yield
- US Govt
- Short Term
- Int. Term
- Long Term
- Loans
- Corporates
- ABS
- MBS
- EM Debt

Source: Morningstar Direct

LEGEND, CATEGORY, MARKET INDEX

US Bonds, US Bonds Core, Bloomberg Barclays U.S. Aggregate Bond TR USD

Measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS, and CMBS.

Int'l. Bonds, International Bond, Bloomberg Barclays ex-U.S. Aggregate Bond -Hedged USD

The index measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities, and is hedged to the US dollar.

Treasuries, US Government, Bloomberg Barclays U.S. Treasury TR USD

Measures the performance of public obligations of the U.S. Treasury. Treasury bills, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

Short Term, Short Term, Bloomberg Barclays U.S. Treasury 1-3 YR TR USD

This index tracks the performance of short-term U.S. government notes and typically includes Treasury securities with maturities between 1 to 3 years.

Int. Term, Intermediate Term, Bloomberg Barclays U.S. Treasury 3-10 YR TR USD

The index tracks the performance of intermediate-term U.S. government notes and typically includes Treasury securities with maturities between 3 to 10 years.

Long Term, Long Term, Bloomberg Barclays U.S. Long Government Bond TR USD

The index tracks the performance of long-term U.S. government bonds and typically includes Treasury securities with maturities of 10 years or longer.

Munis, Municipals, Bloomberg Barclays U.S. Municipal TR USD

Measures the performance of USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prefunded bonds.

Corporates, US Corporates, ICE BofA US Corporate TR USD

The index measures the performance of investment grade rated corporate debt issued in the United States. Securities must have an investment grade rating, a maturity greater than 1 year, a fixed coupon schedule, and minimum outstanding amount of \$250 million.

High Yield, High Yield, Bloomberg Barclays US High Yield Very Liquid Index (VLI) TR USD

The index tracks a liquid subset of USD-denominated, high-yield, fixed-rate corporate bonds. It includes bonds with at least \$500 million outstanding and less than five years from issuance, while capping issuer exposure at 2% of total market value. This index is a more liquid component of the broader US Corporate High Yield Index, using the same eligibility criteria but with additional liquidity constraints

Loans, Leveraged Loans, Morningstar LSTA Leveraged Loan TR USD

The Morningstar LSTA Leveraged Loan Index is a market value-weighted index designed to track the performance of the U.S. leveraged loan market based on market weightings, spreads, and interest payments. The index tracks the investable market of U.S. dollar-denominated leveraged loans, consisting of issues rated below investment grade (typically rated 'BB+' or lower)

Cash, Cash and Cash Equivalents, US 3-Month Treasury Bills

This index is the performance of treasury bills transaction that takes place in the United State secondary market with 3 months maturity periods. Its return type is yield since the treasury bills are traded at a certain percentage yield in this particular market.

ABS, Asset Backed Securities, ICE BofA ABS TR USD

The index measures the performance of US issues fixed rate asset backed securities (ABS).

MBS, Mortgage Based Securities, ICE BofA MBS TR USD

The index tracks the performance of US dollar-denominated fixed-rate and hybrid residential mortgage pass-through securities issued by US agencies. It includes 30-year, 20-year, 15-year, and interest-only fixed-rate mortgage pools with at least one year remaining to maturity and a minimum outstanding amount of \$5 billion per generic coupon and \$250 million per production year within each coupon.

EM Debt, EM Local, 50% JPM GBI-EM GD and 50% JPM EMBI GD

This is blended index consisting of 50% J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified and 50% J.P. Morgan Emerging Markets Bond Index (EMBI) which contain bonds denominated in local curren...

Source: Morningstar Direct

Fixed income has been a redux of 2022, as the barbell approach of risk-free cash and risky floating rate loans (loans) have been the top two sectors. Loans continue their dominance of being one of the top two sectors in fixed income over the last three and half years.

On the flip side, duration-heavy Treasuries have continued to underperform versus other fixed income sectors. Additionally, U.S. Treasuries have lagged as rates had continued to climb earlier in the year.

High yield bonds continue to outperform investment grade bonds, but asset-backed securities (ABS) have slightly outperformed year-to-date as the sector has shaken off concerns about a weakening consumer.

Past performance is no guarantee of future results. Indices mentioned are unmanaged and cannot be invested into directly. The information provided herein is for general informational purposes only and should not be construed as personalized financial guidance.

THE WEEK AHEAD

The week will provide consumers with indicators that will aid them in gauging the current state of the economy.

Toward the beginning of the week, the Federal Open Market Committee (FOMC) will release their meeting minutes, providing consumers with insights into the possible rate cuts in September, along with details such as how many and how large.

Further in the week, the weekly initial jobless claims will be released by the Department of Labor, gauging the state of the labor market. The previous two weeks have shown indications of a hot market due to decreasing claims each week, stipulating companies are actively hiring. That same day, the Manufacturing and Services Purchasing Managers' Index (PMI) for August will be released, enlightening consumers to the status of such industries. Previous readings have shown a pivot in the overall conditions of both industries.

Rounding out the week, consumers will decipher the status of the housing market through the existing and new home sales readings for July. Recent readings have shown a decrease in the number of sales throughout the industry, however mortgage rates just decreased by 1%, so future readings may be looking up. Economists will be watching to see if this continues. Furthermore, the weekly U.S. Baker Hughes active oil rig count will measure the number of active rigs, which will provide consumers with an insight into the possible increase or decrease in the price of petroleum. A reading with more active rigs means there is an increase in demand, which in turn will increase prices.

Please see next page for important disclosures.

DISCLOSURES

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange.

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