Weekly Market Report

Friday, August 2nd 2024

INDEX PERFORMANCE

Index Name	WTD %CHG	YTD %CHG
DOW JONES	-2.100%	6.600%
NASDAQ	-3.300%	12.200%
S&P	-2.000%	13.000%
FTSE	-2.300%	5.600%
APAC EX JAPAN	-1.700%	5.500%
AGG	2.360%	3.260%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Energy	-3.600%	7.900%
Utilities	4.400%	19.200%
Consumer Staples	1.200%	13.300%
Materials	-1.400%	6.200%
Real Estate	3.100%	6.800%
Health Care	0.700%	11.600%
Industrials	-2.800%	8.500%
Financials	-3.000%	12.900%
Consumer Discretionary	-4.300%	0.200%
Information Technology	-4.000%	18.900%
Communication Services	1.300%	20.300%

Market Summary

Equities:

Equity markets faced significant volatility this week as investors grappled with mixed economic data and pivotal earnings reports from leading tech firms. Consumer discretionary stocks led sector declines, shedding 4.3%, as investors turned cautious. In contrast, a defensive shift boosted utilities by 4.4%. Market volatility spiked, with the VIX rising to $23.4, reflecting investor unease. The S&P 500 experienced an average daily move of 1.02%, the highest volatility since March 2023. Broad market indices saw notable losses; the Nasdaq 100 fell 3.3%, and the S&P 500 declined 2%. This market turbulence underscores growing concerns about economic stability and earnings performance in a tightening monetary environment.

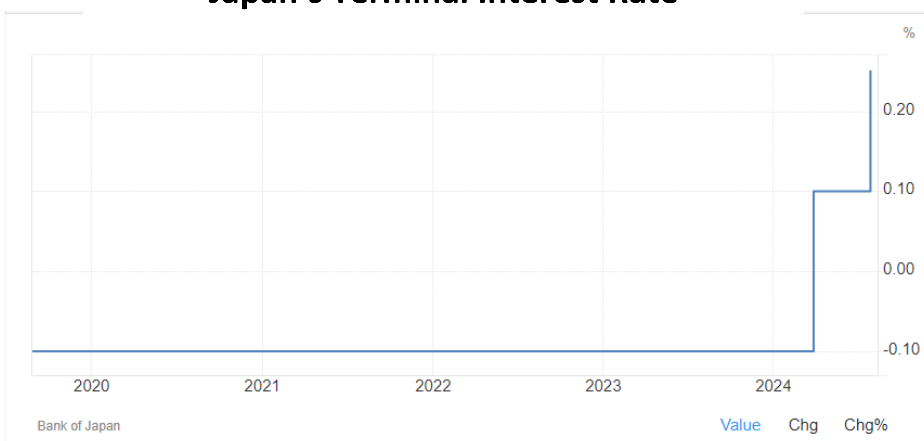
Fixed Income:

This week, the fixed income market saw notable movements. The U.S. 2-year Treasury yield plummeted from an intra-week high of 4.4% to 3.7% by Friday's close, while the 10-year yield also dropped significantly to 3.68%. This marks the closest the pair have been to de-inverting since 2022. High yield spreads widened to 335 basis points after hovering near 300 basis points for most of the year. The AGG index rose 2.36% for the week as investors sought refuge in bonds. This notable price action reflects growing sentiment that the Fed is now behind the curve in lowering interest rates, prompting a shift in fixed income strategies.

Economy

The euro area reported a modest growth rate of 0.3% quarter-on-quarter, aligning with forecasters' expectations. This steady pace reflects the region's gradual recovery amid ongoing economic challenges. Germany, the eurozone's largest economy, maintained its inflation rate at 2.3%, closely aligning with the European Central Bank's target. This stability in inflation is seen as a positive indicator for economic stability in the region. In the United States, the Federal Open Market Committee (FOMC) held interest rates steady at a target of 5.5%. This decision underscores the Fed's cautious approach in balancing its dual mandate of maximizing employment and stabilizing prices. Chair Jerome Powell's commentary highlighted a significant shift in the Fed's narrative, emphasizing "balance" in the labor market. Over the past two years, Powell has consistently noted the mismatch between labor supply and demand, which has driven wages and inflation higher. However, his recent statements suggest a more nuanced view, acknowledging the impacts of tighter monetary policy and hinting at a potential rate cut in September. The U.S. labor market data released on Friday painted a mixed picture. Job quits fell to 3.25 million, indicating a potential cooling in labor market dynamism. Additionally, the economy added only 114,000 jobs in July, well below the anticipated 175,000. The job gains were predominantly in government and healthcare sectors, while professional services lagged, raising concerns about the robustness of the private sector job market. Market participants are increasingly wary of the economic outlook. The strong consumer spending, which has been a cornerstone of economic resilience, may face headwinds from a slowing job market. The anticipation of a September rate cut by the Fed suggests that policymakers are recognizing the tangible effects of tighter monetary policy across various regions. The emphasis on balancing the labor market conditions reflects a strategic pivot by the Fed, acknowledging the complexities of maintaining economic stability amid fluctuating employment and inflation dynamics. Overall, the economic indicators from both the euro area and the United States highlight a period of cautious optimism tempered by underlying concerns. The euro area's stable growth and inflation are positive signs, yet the U.S. labor market's cooling trend and the potential for monetary policy adjustments underscore the delicate balancing act faced by policymakers. As the global economy navigates these challenges, the interplay between growth, inflation, and labor market dynamics will continue to be closely monitored by economists and market participants alike.

Japan's Terminal Interest Rate



Surprise Rate Hike From Japanese Central Bank

- Japan's central bank spooked markets with a interest rate hike of .25% in the wake of a detreating currency.
- This is a fundamental shift away from peer global economies who are now consistently cutting interest rates and forecasting more.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.

***NASDAQ Composite Index**: The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market*

Citations

Graph: https://fred.stlouisfed.org/series/QBPBSTAS
Data with write up: Trading Economics for Macroeconomic figures
Yahoo Finance for index pricing
Thompson Rueters

MoM: Month over month
YoY: Year over year
FED: US Federal reserve
QoQ: Quarter over quarter
FOMC: Federal Open Market Committee
PCE: Personal Consumption Expenditure
FOMC: Federal Open Market Committee