WEEKLY MARKET UPDATE | AUGUST 9, 2024

A wild ride on Wall Street.

The economy

- It was a wild ride on Wall Street during the week ending August 9. The broad-market S&P 500 Index and the tech-heavy Nasdaq Composite Index moved slightly lower, while the Dow Jones Industrial Average saw a somewhat larger decline. On Monday, U.S. stock prices plunged on growing recession worries amid relatively weak economic data and the Federal Reserve's (Fed) decision not to cut interest rates following its meeting last week. The broad-market S&P 500 Index suffered its largest one-day percentage decline since 2022. Stocks subsequently recovered most of the losses as stronger-than-expected unemployment insurance claims data alleviated investors' concerns that the U.S. labor market was weakening. On Thursday, the S&P 500 Index garnered its biggest single-day percentage gain since 2022.The market also was hampered by Monday's weakness in Japan, where the Nikkei 225 saw its worst drop since 1987. Last week, Japan's central bank raised its benchmark rate to its highest level since 2008, with the yen strengthening against the U.S. dollar in anticipation of the move. This led to the unwinding of "carry trades," in which investors borrow at low interest rates (such as Japan's) to invest in higher-yielding assets (including U.S. Treasurys or stocks).
- As a result of the extreme market volatility, the Cboe Volatility Index (VIX)—dubbed the "fear gauge" as it measures the constant 30-day volatility of the U.S. equity market—nearly tripled to a 16-year high of 65.73 intraday on Monday before falling more than 40% to close at 38.57. The VIX retreated further over the remainder of the week.
- According to the Federal Home Loan Mortgage Corporation (Freddie Mac), the average interest rate on a 30-year fixed-rate mortgage fell 26 basis points (0.26%) to a 15-month low of 6.47% during the week ending August 8. However, the average rate remained well above the low of 2.65% reached in early January 2021. In its statement announcing the mortgage rate news, Freddie Mac characterized the decline in mortgage rates as a "likely overreaction to a less than favorable employment report and financial market turbulence for an economy that remains on solid footing."
- The recent decline in interest rates has led to an upturn in mortgage applications. The Mortgage Bankers Association (MBA) announced that applications in the U.S. climbed 6.9% during the week ending August 2, compared to the previous seven-day period. The MBA's Refinance Index surged 16.0% and 59.0% for the week and over the previous 12-month period, respectively. The Purchase Index was up 1.0% for the week, but fell 11.0% year-over-year.
- The Department of Labor reported that initial unemployment insurance claims, a barometer of the health of the labor market, declined 17,000 to 233,000 during the week ending August 3. The total represented a decrease from the 258,000 claims filed during the same week in 2023. The four-week moving average of initial claims rose 2,500 week-over-week to 240,750, and was down 750 from the four-week average of 240,000 a year earlier.
- The Fed reported that U.S. household debt grew at an annual rate of 2.4% during the second quarter of this year—down from the 3.5% year-over-year rise in the second quarter of 2023, but higher than the 1.9% increase in the first quarter of this year. Revolving credit, which includes credit cards, rose 1.9% for the second quarter. However, in June, revolving credit balances fell 1.4% versus the same period in 2023. Student loan balances posted an annual decline of 36.0% to $1.74 trillion for the second quarter. A slowdown in consumer credit growth could result in fewer delinquencies in credit payments and personal bankruptcy filings should the U.S. economy slip into recession.

Stocks

- Global equities were mixed for the week. Developed markets outperformed emerging markets.
- U.S. stocks ended the week in negative territory. Industrials and energy were the top-performing sectors, while materials and consumer discretionary lagged.
- Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 3.94% during the week.
- Global bond markets declined during the week.
- High-yield bonds led the markets, followed by government bonds and corporate bonds.

The Numbers as of August 9, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.7%	7.5%	13.6%	781.8
MSCI EAFE ($)	-1.2%	1.2%	5.1%	2263.7
MSCI Emerging Mkts ($)	-1.4%	2.2%	3.8%	1046.3
US & Canadian Equities				
Dow Jones Industrials ($)	-0.6%	4.8%	12.3%	39497.5
S&P 500 ($)	0.0%	12.0%	19.6%	5344.2
NASDAQ ($)	-0.2%	11.6%	22.0%	16745.3
S&P/ TSX Composite (C$)	0.4%	6.5%	9.7%	22311.3
UK & European Equities				
FTSE All-Share (£)	-0.2%	5.5%	7.4%	4465.0
MSCI Europe ex UK (€)	0.0%	3.4%	6.0%	1741.6
Asian Equities				
Topix (¥)	-2.1%	4.9%	7.8%	2483.3
Hong Kong Hang Seng ($)	0.9%	0.3%	-11.2%	17090.2
MSCI Asia Pac. Ex-Japan ($)	-1.7%	2.9%	4.3%	544.2
Latin American Equities				
MSCI EMF Latin America ($)	3.0%	-17.8%	-10.8%	2189.8
Mexican Bolsa (peso)	1.5%	-7.6%	-1.6%	53024.5
Brazilian Bovespa (real)	3.8%	-2.7%	10.4%	130614.6
Commodities ($)				
West Texas Intermediate Spot	3.6%	6.3%	-8.0%	76.2
Gold Spot Price	0.2%	17.8%	26.8%	2434.5
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.6%	0.4%	5.0%	473.4
JPMorgan Emerging Mkt Bond	-0.4%	3.9%	9.7%	881.6
10-Year Yield Change (basis points*)				
US Treasury	15	6	-17	3.94%
UK Gilt	12	41	-42	3.94%
German Bund	5	20	-30	2.22%
Japan Govt Bond	-10	24	27	0.85%
Canada Govt Bond	11	0	-48	3.11%
Currency Returns**				
US$ per euro	0.1%	-1.1%	-0.6%	1.092
Yen per US$	0.1%	4.0%	1.3%	146.65
US$ per £	-0.3%	0.2%	0.6%	1.276
C$ per US$	-1.0%	3.7%	2.1%	1.373

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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