WEEKLY MARKET UPDATE | AUGUST 23, 2024

A Hole-istic rally.

The economy

- U.S. stocks posted gains during the week ending August 23. Investors took a favorable view of Federal Reserve (Fed) Chair Jerome Powell's remarks at the Kansas City Fed's annual Jackson Hole Economic Symposium in Wyoming on Friday—boosting confidence that the central bank will begin to cut interest rates at its September meeting—as well as dovish comments published in minutes from the Federal Open Market Committee's (FOMC) July 30-31 meeting, released on Wednesday. These positive factors offset concerns regarding mixed economic data.
- During an appearance at the Jackson Hole Symposium, Powell signaled that interest-rate cuts are imminent. "The time has come for policy to adjust," he said. "The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks." Powell commented that the Fed's restrictive monetary policy "helped restore balance between aggregate supply and demand, easing inflationary pressures and ensuring that inflation expectations remained well anchored."
- According to minutes from the FOMC's July 30-31 meeting, released on Wednesday, members concurred that recent economic data might have warranted an immediate reduction in the federal-funds rate. The meeting participants noted that "inflation had eased over the past year but remained elevated and that, in recent months, there had been some further progress toward the Committee's 2 percent inflation objective." Consequently, several FOMC members "observed that the recent progress on inflation and increases in the unemployment rate had provided a plausible case for reducing the target range 25 basis points at this meeting or that they could have supported such a decision."
- According to the Department of Labor, initial unemployment insurance claims, a barometer of the health of the labor market, rose 4,000 to 232,000 during the week ending August 17, slightly below market expectations. The total represented a decrease from the 241,000 claims filed during the same week in 2023. The four-week moving average of initial claims dipped 750 week-over-week to 236,000, and was down 10,750 from the four-week average of 246,750 a year earlier.
- The Conference Board Leading Economic Index® (LEI), which is designed to signal peaks and troughs in the U.S. business cycle, fell 0.6% to 100.4 in July following a 0.2% dip in June. The LEI was down 2.1% for the six-month period of January 1 to June 30, but represented improvement from the 3.1% decline over the previous six-month period. The downturn in the index for July was attributable mainly to a decrease in new orders, as well as weakness in consumer expectations of business conditions. In its news release announcing the LEI data, The Conference Board noted, "The LEI continues to fall on a month-over-month basis, but the six-month annual growth rate no longer signals recession ahead."
- The National Association of Realtors (NAR) reported that sales of existing homes rose 1.3% in July—ending a streak of four consecutive monthly declines—but fell 2.5% year-over-year to an annualized rate of 3.95 million. (Home sales are viewed as an indicator of housing market trends, and by extension, the health of the broader economy.) The median existing-home sale price increased 4.2% over the previous 12-month period to $422,600. The inventory of unsold existing homes as of the end of July stood at 1.33 million—up 0.8% from the end of June—equivalent to a four-month supply at the current monthly sales pace. The NAR considers a six-month supply of homes to be a "balanced market," in which prices rise modestly. Inventories of greater than six months typically have favored buyers, while a supply of homes that will be depleted in less than six months denotes a "seller's market." According to the Federal Home Loan Mortgage Corporation (Freddie Mac), the average interest rate on a 30-year fixed-rate mortgage fell 3 basis points (0.03%) to a 15-month low of 6.46% during the week ending August 22.

Stocks

- Global equities gained ground for the week. Developed markets outperformed emerging markets.
- U.S. stocks ended the week in positive territory. Real estate and materials were the top-performing sectors, while energy and information technology were the main market laggards.
- Value stocks led growth, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield fell to 3.80% during the week.
- Global bond markets advanced over the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

The Numbers as of August 23, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.7%	13.2%	22.8%	822.8
MSCI EAFE ($)	1.7%	8.0%	16.4%	2414.7
MSCI Emerging Mkts ($)	0.7%	7.5%	12.1%	1101.0
US & Canadian Equities				
Dow Jones Industrials ($)	1.3%	9.2%	20.8%	41175.1
S&P 500 ($)	1.4%	18.1%	28.8%	5634.6
NASDAQ ($)	1.4%	19.1%	32.8%	17877.8
S&P/ TSX Composite (C$)	1.0%	11.1%	17.8%	23286.1
UK & European Equities				
FTSE All-Share (£)	0.3%	7.7%	14.0%	4557.2
MSCI Europe ex UK (€)	0.8%	7.7%	13.3%	1814.5
Asian Equities				
Topix (¥)	0.2%	13.5%	17.4%	2684.7
Hong Kong Hang Seng ($)	1.0%	3.3%	-3.3%	17612.1
MSCI Asia Pac. Ex-Japan ($)	1.1%	8.7%	14.0%	574.8
Latin American Equities				
MSCI EMF Latin America ($)	-2.3%	-15.0%	-5.8%	2262.5
Mexican Bolsa (peso)	-1.0%	-6.7%	0.8%	53553.4
Brazilian Bovespa (real)	1.2%	1.1%	15.9%	135608.5
Commodities ($)				
West Texas Intermediate Spot	-3.7%	3.0%	-7.4%	73.8
Gold Spot Price	0.6%	21.5%	30.9%	2510.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.7%	1.9%	7.6%	480.3
JPMorgan Emerging Mkt Bond	0.4%	5.8%	13.2%	897.7
10-Year Yield Change (basis points*)				
US Treasury	-9	-8	-44	3.80%
UK Gilt	-1	38	-51	3.91%
German Bund	-2	20	-29	2.22%
Japan Govt Bond	2	29	24	0.90%
Canada Govt Bond	-3	-8	-66	3.03%
Currency Returns**				
US$ per euro	1.5%	1.4%	3.5%	1.119
Yen per US$	-2.2%	2.3%	-1.0%	144.33
US$ per £	2.0%	3.8%	4.8%	1.321
C$ per US$	-1.2%	2.0%	-0.5%	1.351

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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