WEEKLY MARKET UPDATE | SEPTEMBER 6, 2024

Stocks decline as investors yield to economic worries.

The economy

- The U.S. equity market experienced a sharp downturn during the week ending September 6, amid investors' growing concerns about a slowdown in the U.S. economy, bolstering the case for the Federal Reserve to reduce the federal-funds rate at its next Federal Open Market Committee meeting on September 17-18. Consequently, in intraday trading on Wednesday and Thursday, the yield spread between the monetary policy-sensitive 2-year U.S. Treasury note and its 10-year counterpart narrowed, resulting in a brief disinversion of the yield curve—that is, long-term yields exceeded short-term yields. The decline in stock prices sent the broad-market S&P 500 Index tumbling to its worst weekly performance in nearly 18 months.
- There was significant news regarding the labor market during the week. The Department of Labor reported that U.S. payrolls expanded by 142,000 jobs in August, below market expectations but a significant increase from the 89,000 added in July, which represented a downward adjustment of 25,000 from the government's initial tally of 114,000, released last month. The unemployment rate dipped 0.1 percentage point to 4.2%. Employment in the construction and health care sectors increased by 32,000 and 31,000 positions, respectively, over the month, while the manufacturing sector lost 24,000 jobs. Average hourly earnings increased 0.4% in August, and rose 3.8% year-over-year. The 12-month advance was up from the 3.6% annual rise in July.
- According to the Department of Labor's Job Openings and Labor Turnover Survey (JOLTS), another gauge of the status of the U.S. labor market, job openings in the U.S. decreased 237,000 (3.0%) to 7,1673,000 in July (the most recent reporting period)—and were down significantly from the 8,805,000 openings a year earlier. However, the total remained well above the pre-COVID-19 level of 6,995,000 openings in February 2020. There were notable month-over-month declines in open positions in the health care and social assistance, state and local government (excluding education), education, and transportation, warehousing, and utilities sectors. There were job gains in professional and business services, and federal government. The job openings rate (calculated by dividing the number of job openings by the sum of the total number of employees and the number of job openings) was 4.6% in July, down 0.2 percentage point from the previous month, and below the 5.3% rate recorded in July 2023.
- The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) rose 0.4 percentage point to 47.2 in July—below market expectations—indicating contraction in the U.S. manufacturing sector for the fifth consecutive month. (A PMI reading under 50 indicates a decrease in manufacturing activity.) The ISM's Employment Index increased 2.6 percentage points to 46.0 in July, but remained in contraction territory.
- Lower interest rates have led to an upturn in mortgage applications. The Mortgage Bankers Association (MBA) announced that applications in the U.S. rose 1.6% during the week ending August 30, compared to the previous seven-day period. The MBA's Refinance Index dipped 0.3% for the week but surged 94.0% over the previous 12-month period. The Purchase Index was up 3.0% for the week, but fell 4.0% year-over-year. According to the Federal Home Loan Mortgage Corporation (Freddie Mac), the average interest rate on a 30-year fixed-rate mortgage was unchanged at a 16-month low of 6.35% during the week ending September 5. However, the rate remained well above the low of 2.65% reached in early January 2021.

Stocks

- Global equities lost ground for the week. Emerging markets outperformed developed markets.
- U.S. stocks posted negative returns for the week. Consumer staples and real estate were the top-performing sectors, while information technology and energy were the main market laggards.
- Value stocks led growth, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield fell to 3.71% 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 September 6, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-2.5%	11.8%	19.9%	812.7
MSCI EAFE ($)	-2.5%	7.0%	15.2%	2392.9
MSCI Emerging Mkts ($)	-2.2%	5.1%	10.5%	1076.1
US & Canadian Equities				
Dow Jones Industrials ($)	-2.9%	7.0%	16.9%	40345.4
S&P 500 ($)	-4.2%	13.4%	21.5%	5408.4
NASDAQ ($)	-5.8%	11.2%	21.4%	16690.8
S&P/ TSX Composite (C$)	-2.4%	8.7%	13.2%	22781.4
UK & European Equities				
FTSE All-Share (£)	-2.4%	5.6%	10.2%	4467.5
MSCI Europe ex UK (€)	-2.8%	6.4%	11.6%	1792.5
Asian Equities				
Topix (¥)	-4.2%	9.8%	9.0%	2597.4
Hong Kong Hang Seng ($)	-3.0%	2.3%	-4.2%	17444.3
MSCI Asia Pac. Ex-Japan ($)	-2.4%	6.6%	12.1%	563.6
Latin American Equities				
MSCI EMF Latin America ($)	-0.6%	-16.4%	-3.8%	2225.1
Mexican Bolsa (peso)	-1.7%	-11.0%	-2.7%	51083.4
Brazilian Bovespa (real)	-1.1%	0.3%	16.0%	134572.5
Commodities ($)				
West Texas Intermediate Spot	-6.0%	-3.5%	-20.4%	69.2
Gold Spot Price	-0.3%	20.4%	29.8%	2489.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.8%	2.7%	9.2%	484.1
JPMorgan Emerging Mkt Bond	0.3%	6.4%	14.1%	903.2
10-Year Yield Change (basis points*)				
US Treasury	-19	-17	-54	3.71%
UK Gilt	-13	36	-57	3.89%
German Bund	-13	15	-44	2.17%
Japan Govt Bond	-4	24	20	0.85%
Canada Govt Bond	-20	-15	-68	2.96%
Currency Returns**				
US$ per euro	0.3%	0.4%	3.6%	1.108
Yen per US$	-2.6%	0.9%	-3.4%	142.30
US$ per £	0.0%	3.1%	5.3%	1.313
C$ per US$	0.6%	2.5%	-0.8%	1.357

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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