## Week in Review

*Equity Markets:*

The S&P 500 recovered from the prior week's decline and notched its best performance of the year, ending the week up 3.99%[1]. The rebound was supported by continued positive reports on inflation, retail sales, and consumer sentiment. Improving sentiment propelled the Russell 1000 Growth to a weekly performance of 5.27% relative to its value peer's performance of 2.5%[1]; despite the multi-week reversal to value, large-cap growth is still outperforming value by a nine percent margin year-to-date.

93% of S&P 500 companies have reported earnings thus far. 79% have beaten earnings estimates and 60% have beaten analysts' revenue estimates[2]. Once again, companies have exceeded expectations despite the slowing economic environment. The blended earnings growth rate for the S&P currently stands at 10.9%, which is well above the expected growth rate of 8.9% analysts were expecting at the beginning of the quarter[2].

*Fixed Income Markets:*

The bond market had a significant rally this week. The 10-year Treasury Yield closed the week 0.4% lower and the first time the closing yield was below 4% since January. The 2's/10's inversion closed the week at -0.08% as the soft labor market report and softer policy tone caused the yield curve to steepen. This marked the smallest inversion since the yield curve first inverted two years ago in July 2022.

*Economic:*

The bond market was calm last week and finished the week nearly flat throughout the yield curve. The yield on the 10-year Treasury closed Friday at 3.89% slightly lower than the 3.94% close from the previous week. The 2-year Treasury Yield closed at 4.06%, only 0.01% higher than the previous week's close of 4.05%. Following a steepening trend that saw the 2's/10's spread reach -0.04% on August 7th; the inversion has increased since and closed the week at -0.15%.

## Looking Ahead

*Equity Markets:*

The markets have recovered nearly all of their losses, which from peak to trough was 8.6%. The unusual spike in the VIX to 65 was a rare occurrence, but we do believe elevated volatility will remain through the election. We are entering what has historically been a volatile period for the markets. Combining the seasonal tendencies, election cycle, and still elevated valuations (the S&P 500 is currently trading at 21.5x forward earnings[3]) investors should review their current allocations to ensure they still align with their desired risk-taking and long-term goals. The market's recovery is an opportunity to reflect on the recent jump in volatility to assess an appropriate level of portfolio risk.

*Fixed Income Market*

All eyes will be on the economic symposium taking place later this week. Historically, Fed Chairman Powell has used this symposium to signal policy shifts and we believe this year will be no different. Following a string of positive inflation readings and softening labor market numbers, we believe a dovish tone will be used. The Fed Fund's Futures market has priced in a 100% probability of a rate cut occurring in September but the debate now is whether it will be a 25 or 50 basis point cut[4].

We believe policymakers will cut rates slowly to ensure a reemergence of inflation does not occur, and as long as economic growth continues, they should be able to move rates down slowly. A rapid cut in rates might spook the market and give the impression there is unseen weakness in the economy. We believe it would be prudent for fixed-income investors who have benefited from the 5%-plus yields on cash to consider moving further out on the maturity schedule to lock in what are, in our opinion, still attractive long-term yields on high-quality bonds.

*Economic:*

The first major report for the week will be The Conference Board's Leading Economic Index. On Wednesday, the minutes from the July Federal Reserve meeting will be released. These minutes will be closely watched as the markets prepare for Chairman Powell's speech at the Jackson Hole, Wyoming Economic Symposium on Friday. We will also get two housing reports with the existing home sales report on Thursday and new home sales on Friday.

**** *See Important Disclosures on the following page*

*Sources:*

*1)JP Morgan Asset Management*
*https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/insights/market-insights/wmr/weekly_market_recap.pdf*

*2) FactSet Research, Inc*
*https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_081624.pdf*

*3) LSEG I/B/E/S*
*https://lipperalpha.refinitiv.com/wp-content/uploads/2024/08/TRPR_82221_761.pdf*

*4) CME Group*
*https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html*