

Market Update

August 26, 2024

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This week in the markets...

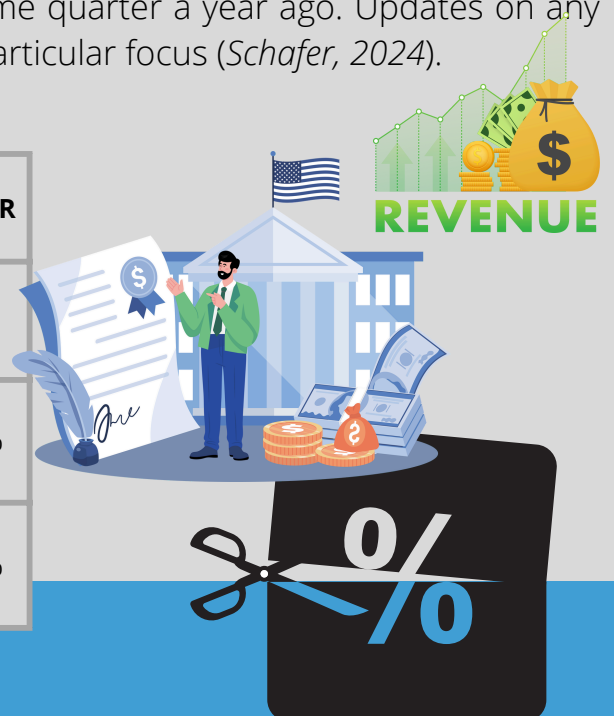
The time has come

The biggest news this week will be a carry-over from last Friday afternoon when Fed Chairman Jerome Powell said, "The time has come for policy to adjust." (Schafer, 2024). Market concerns (at least at the beginning of the week) will focus on how big of a cut the Fed will execute at the September meeting on September 17 – 18 (*Federal Open Market Committee, 2024*). After the jobs number revision last week which reduced the number of jobs created from April 2023 to March 2024 by 818,000 (*Nerkar, 2024*), there is now speculation of .5% reduction in the Fed Funds Rate (interest rates). This possibility will increase if the August jobs numbers (reported the first Friday in September) disappoint. For now, however, the base case expectation is for a .25% cut (*Cox, 2024*).

"My base-case scenario is that we are on a journey of 25 basis point cuts, probably for the next eight meetings, a couple hundred basis points cumulative," said economist Paul McCulley, "But if we see weaker growth, and particularly weaker jobs, then I think we could have a bit of front-loading and start the process with 50 basis point cuts."

Earnings will return to the forefront of the market's attention this week as Nvidia announces earnings on Wednesday. Wall Street expects Nvidia to grow earnings by roughly 109% year over year with revenue also jumping 99% compared to the same quarter a year ago. Updates on any potential delays for Nvidia's new Blackwell chip will be in particular focus (*Schafer, 2024*).

	08/26/2023	1/1/2024	08/26/2024	12 MO ROR	YTD ROR
DOW	34,473.38	37,566.22	41,175	19.44%	9.25%
S&P 500	4,436.31	4,745.20	5,635	27.02%	18.13%
NASDAQ	13,721.70	14,873.70	17,878	30.29%	19.10%



On the currency front we continue to watch for signs that the Japan Carry Trade (our mouse that roared a few weeks ago) could reignite volatility, but for now the spread between the dollar and the yen continues to remain stable at 143.65 (at the time of this report) yen/dollar, down from 160.83 at the time of the crisis.

There may be some surprises from economic data due, which means it will be a busy one, but all in all a good week. I will particularly pay attention to Durable Goods, Initial Jobless Claims, GDP Q2 second revision, and the most important: PCE data (on Friday).



U.S. Treasury Bond Yields

as of 08.26.2024

US1MO	5.37%
US3MO	5.26
US6MO	4.89
US1Y	4.41
US3Y	3.70
US5Y	3.62
US10Y	3.79
US30Y	4.09



Sources:

<https://www.cnbc.com/2024/08/23/markets-now-wonder-if-the-fed-might-cut-by-half-a-point-in-september.html>

<https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

<https://www.nytimes.com/2024/08/23/business/the-big-number-818000-jobs-revision.html>

<https://finance.yahoo.com/news/nvidia-earnings-highlight-a-busy-end-of-august-what-to-know-this-week-144305612.html>