Market Update

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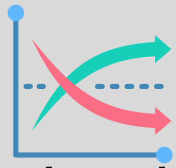
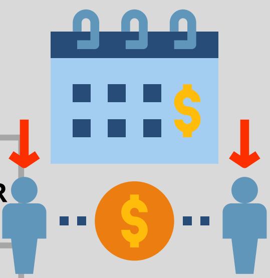
This week in the markets...



The bull market was born nearly two years ago and has been sustained ever since by a sole premise: Inflation is falling faster than the U.S. economy is slowing. While these broad forces remain in place – both consumer inflation and real GDP running in the comfortable corridor between 2% and 3% – stocks are wobbling and bond yields swooning as investors worry the economy has gone from slowing to stalling. That is the fairly clear message of Wall Street relapsing into growth-scare mode as conviction in an economic soft landing leaks from asset prices, with the S&P 500 sliding 4.2% last week and returning to levels first reached in June (*Santoli*, 2024).

The seemingly unstoppable stock market rally wobbled again last week as it confronted a horde of challenges to the momentum that's taken it from record high to record high: Friday's employment report for August was disappointing on its face and frustrating to traders for its failure to clarify the present state of the labor market. Its 142,000 net new jobs print was below the 160,000 forecast and downward revisions to prior months payrolls were downbeat. Yet a six-figure job gain and small dip in the unemployment rate were beheld by some eyes as inconsistent with a worrisome downturn (*Santoli*, 2024).



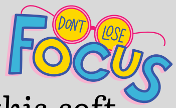
	09.09.2024	1/1/2024	09.09.2023	12 MO ROR	YTD ROR
DOW	40,829.59	37,566.22	34,576.59	16.68%	8.33%
S&P 500	5,471.05	4,745.20	4,457.49	27.14%	14.70%
NASDAQ	16,884.60	14,873.70	13,761.53	21.29%	11.92%

U.S. Treasury Bond Yields

as of 09.09.2024

US1MO	5.15%
US3MO	5.13
US6MO	4.69
US1Y	4.12
US2Y	3.66
US5Y	3.5
US10Y	3.72
US30Y	4.03

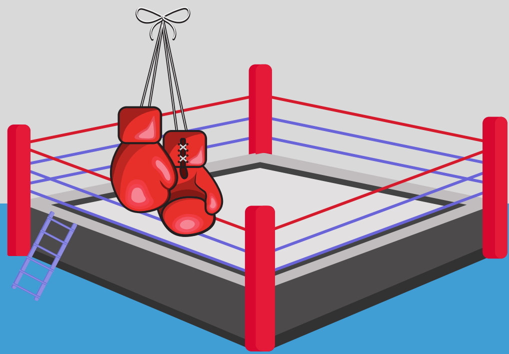
Markets have also become extremely focused on the size of the Fed's upcoming September rate cut. Questions now abound in the financial press regarding the appropriateness of the expected .25% cut or the necessity of an oversized cut of .5%. The aforementioned monthly jobs report Friday showed the pace of hiring in the US moderated over the last three months to the slowest since the onset of the pandemic in 2020. Even so, the numbers left investors skeptical as to whether Fed officials would opt for an outsize rate cut at their Sept. 17-18 meeting. The stakes are high; if the Fed moves too slow, they might drive up unemployment and tip the economy into recession.



"Powell has got to be thinking about his legacy right now, and he's really got to nail this soft landing," Diane Swonk, chief economist at KPMG said (Saraiva, 2024).

Worries about the US are just one of the cracks. There is also concern about growth in China and Germany, and the implications of that weakness on earnings and prices. That's making the way forward look more volatile, even as the foggy rate path clears up and investors count down the days to the first Federal Reserve interest-rate cut in four years (*Barners*, 2024). Then there's the US election, turbulence in European politics and the concentration of money in mega-cap tech stocks, all risks that could hurt the bullish sentiment that at times has looked utterly unshakable (*Barners*, 2024).

This morning the major indices are recovering after a dismal week that saw the S&P 500 suffer its worst weekly loss in more than a year. One of the stocks that will be in focus is Apple (AAPL). The tech giant hosted an event yesterday evening, unveiling the iPhone 16, alongside other new products (*Yahoo Finance Video*, 2024). Tuesday night the election will enter a new phase as the US presidential candidates step onto the debate stage for the only scheduled debate this year. Markets may get a clearer picture of economic priorities after the debate if one or the other candidates is a clear victor, however, I don't expect much to change after the debate. Donald Trump has regained some momentum and overtaken the national lead according to the latest NYT/Sienna poll at 48%/47% (*New York Times*; *Sienna*, 2024). I suspect very little from the debate but I think it is likely that this will set a new viewing record for a presidential debate.



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