August 2024 Market Update

Special points of interest:

- Markets were volatile in August but a partial uptrend was restored by month end.
- U.S. employers added fewer jobs in August than expected and jobs numbers for the prior two months were revised down.
- Historically, major U.S. stock indices have risen about 70% of the time between Labor Day and the end of the year.
- Rising consumer sentiment and lower inflation expectations should help support markets.

Inside this issue:

The Markets in August 2024

The markets in August highlighted investors' precarious tightrope walk between concerns about labor market weakness dragging down the economy and rising prospects for interest rate cuts in the short term. Price action was volatile but a partial uptrend was restored by the end of the month. In August, the S&P 500 index rose 2.3% to close just shy of its record from mid-July while the Dow Jones Industrial Average climbed 1.8% and the Nasdaq eked out a 0.6% increase. Meanwhile, the Russell 2000 index of smaller companies fell 1.6% and crude oil prices traded down 5.6%. Gold rose 2.8%. For fixed income, the yield on the 10-year Treasury Bond fell from 4.109% at the end of July to 3.911% by the end of August as the timeframe for an almost certain Fed rate cut in mid September came into sharper focus. However, hopes for an imminent cut in rates come against a backdrop of perceived jobs weakness. In August, the Labor Dept reported that U.S. employers added only 142k jobs (lower than forecast), and also lowered the jobs numbers for the prior two months by a combined 86k. The unemployment rate fell slightly to 4.2% but investors are still worried that the Fed has waited too long to begin rate cuts. Will we get a 25 or 50-bp cut in Sept?

After a rocky start to the month, investors drove the S&P 500 index almost back up to its record high and 10-year yields lower than 4%.

A Look Ahead

As the calendar page turns, so have markets turned jittery in early September. Or is this anxiety about the upcoming election? To see past this uncertainty, it's worth looking back at how markets have historically performed in the stretch from Labor Day through year end. According to Dow Jones Market Data from 1971 to 2023, both the Dow Jones Industrial Average and the S&P 500 index have risen about 70% of the time over this period, with average gains of 2.7% and 2.8% respectively (as can be seen here). Though history is no guarantee, consumer confidence also rebounded in August—the Conference Board reported that their consumer confidence index rose from 101.9 in July to 103.3 in August. Sentiment is clearly improving. Further, expectations for inflation dropped to their lowest level since March 2020. To me, all signs point to a rate-cut environment for the rest of the year, which should be supportive to stocks and bonds. Place your bets!

Labor Day to Year End Performance

Performance	DJIA	S&P 500	Nasdaq Composite
Up	38	37	36
Down	15	16	17
Total	53	53	53
% Higher	72%	70%	68%
% Lower	28%	30%	32%
Avg. Performance	2.73%	2.84%	3.36%
Median Performance	3.37%	3.02%	3.27%
Best Period (%)	1998	1998	1999
Worst Period (%)	1987	2008	2000

Source: Dow Jones Market Data

Note: Historical data from 1971 through 2023

ILLUSTRATION: DOW JONES MARKET DATA

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