

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- The minutes from July's Federal Reserve (Fed) Open Market Committee (FOMC) meeting highlighted that the vast majority of members supported cutting interest rates at the next meeting in September. With higher confidence that inflationary pressures are moving towards 2%, the Fed has focused its attention to the potential risks of continued easing in the labor market.
 - Fed Chairman Jerome Powell also reiterated in his speech at the Jackson Hole Symposium last week that the time has come to adjust policy and that they do not seek further cooling in labor market conditions.
- New home sales increased 10.6% month-over-month in July to an annualized rate of 739,000, which beat expectations. This marked the largest monthly gain this year. Sales have risen 5.6% compared to a year ago.
 - Declining mortgage rates over the last few months has increased demand for new home buyers.
- Existing home sales also rose 1.3% month-over-month in July to an annualized rate of 3.95 million which beat consensus expectations.
 - This marked the first time in five months that existing home sales rose.
- The Conference Board Leading Economic Index (LEI) for the U.S. fell by -0.6% in July to 100.4, with most of the weakness coming from manufacturing components.

How do FOMC minutes, homes sales, and LEI impact you?

- The FOMC minutes and Powell's speech showed a Fed, while still data dependent, less concerned about the risks of inflation and more focused on the potential future weakness in the jobs market. With the Fed signaling a likely September rate cut, it will mark the first rate cut since the Fed last raised rates in July 2023.
- Existing and new home sales beating expectations in July is a welcome sign for the residential real estate sector which has been in an imbalance since the Fed began their rate hike cycle over two years ago.
 - The Fed potentially lowering interest rates in September should continue to spur demand for home buyers and increase home sales as mortgage rates fall.
- While LEI declined -2.1% over the last six months, it represented a smaller contraction than the previous six months. The index has not signaled a recession for the fourth consecutive month.



A LOOK FORWARD¹

- This week investors will be focused primarily on the Personal Consumption Expenditure (PCE) deflator and the second estimate of the second quarter's Gross Domestic Product (GDP).

How do PCE and GDP impact you?

- The Fed's preferred inflation measure is PCE. Inflation data over the last few months has been moving in the right direction to set the table for the Fed to begin cutting interest rates in September. PCE is expected to increase 2.6% from a year ago, which has decelerated from a cycle high of 7.1% in June 2022.
- Next week's GDP report will be closely watched for any unexpected revisions or weakness in the economy as the Fed tries to maneuver a soft landing.



MARKET UPDATE²

Market Index Returns as of 8/23/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.47%	3.39%	19.20%	30.67%	9.58%	16.50%
NASDAQ	1.41%	0.92%	19.66%	33.78%	6.82%	19.14%
Dow Jones Industrial Average	1.29%	5.51%	10.56%	23.16%	7.35%	12.25%
Russell Mid-Cap	2.43%	6.47%	11.57%	23.21%	3.74%	11.70%
Russell 2000 (Small Cap)	3.62%	8.53%	10.41%	21.97%	1.25%	10.22%
MSCI EAFE (International)	2.76%	5.64%	11.28%	20.79%	4.05%	8.67%
MSCI Emerging Markets	0.70%	1.97%	9.60%	14.91%	-2.06%	5.04%
Bloomberg Barclays US Agg Bond	0.67%	4.34%	3.60%	8.89%	-1.92%	0.10%
Bloomberg Barclays High Yield Corp.	0.71%	3.40%	6.07%	13.49%	2.67%	4.52%
Bloomberg Barclays Global Agg	1.26%	5.76%	2.41%	8.14%	-4.02%	-1.25%



OBSERVATIONS

- Stocks continued to move higher last week with all three major large cap indices rising in excess of 1%. The S&P 500 led the way (+1.47%), followed by the NASDAQ (+1.41%), and the Dow (+1.29%).
- Small and mid-cap stocks were the top performers in the U.S. and outperformed their large-cap counterparts. Small-cap stocks increased 3.62% and mid-cap stocks rose 2.43%.
- International stocks also participated in the rally last week with developed markets rising 2.76%, while emerging markets posted a positive return of 0.70%.
- Fixed income indices were positive last week as bond yields moved lower following comments by the Fed that indicated a likely September rate cut. The Global Aggregate Bond Index increased by 1.26%, followed by the High Yield Corporate Index which rose 0.71%, and the U.S. Aggregate Bond Index closed up 0.67% for the week.



BY THE NUMBERS

- **Israel and Hezbollah Trade Heavy Fire Before Pulling Back, Jolting a Region Braced For War:** Israel launched a wave of airstrikes across southern Lebanon early Sunday in what it said was a preemptive strike on Hezbollah. The militant group responded that it had launched hundreds of rockets and drones to avenge the killing of one of its top commanders last month. The heavy exchange of fire does not appear to have ignited a long-feared war, but the situation remains tense. Meanwhile, Egypt is hosting high-level talks aimed at brokering a cease-fire on Sunday, talks which diplomats hope will tamp down regional tensions. In the U.S., a spokesman for the National Security Council, Sean Savett, said President Joe Biden was “closely monitoring events in Israel and Lebanon.” In recent weeks, diplomats from the U.S. and European countries have made a flurry of visits to Israel and Lebanon in an attempt to tamp down the escalation that they fear could spiral into a regional war.³
- **RFK Jr. Ends U.S. Presidential Campaign, Endorses Trump:** Independent presidential candidate Robert F. Kennedy Jr. abandoned his campaign on Friday and endorsed Republican Donald Trump, ending a run that he began as a Democrat trading on one of the most famous names in American politics. An environmental lawyer, anti-vaccine activist and son and nephew of two titans of Democratic politics who were assassinated during the turbulent 1960s, Kennedy entered the race in April 2023 as a challenger to President Joe Biden for the Democratic nomination. Kennedy, 70, told a news conference earlier that he met with Trump and his aides several times and learned they agreed on issues like border security, free speech and ending wars. Strategists said it was unclear whether Kennedy's endorsement would help Trump, who is in a tight contest with Democratic Vice President Kamala Harris ahead of the election.⁴

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of house sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services.

Conference Board Leading Economic Index: Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 8/23/2024

² Data obtained from Morningstar as of 8/23/2024

³ [Israel and Hezbollah trade heavy fire before pulling back, jolting a region braced for war \(msn.com\)](https://www.msn.com)

⁴ [RFK Jr ends US presidential campaign, endorses Trump | Reuters](https://www.reuters.com)