WEEKLY MARKET UPDATE | AUGUST 2, 2024

Yields fall and the chips are down.

The economy

- Major U.S. equity market indexes moved lower during the week ending August 2, due to unexpectedly weak economic data and a sharp selloff in shares of chipmakers. The downturn offset a rally earlier in the week, spurred by dovish comments from the Federal Reserve (Fed) following its two-day monetary policy meeting, bolstering investors' hopes that the central bank will begin to cut interest rates in September. On Thursday, the 10-year U.S. Treasury note closed under 4% for the first time since February of this year. The PHLX Semiconductor Sector Index™, which tracks the performance of the 30 largest U.S.-listed semiconductor companies, fell more than 7% on Thursday—its worst one-day percentage decline since March 2020—after Arm Holdings, a U.K.-based chipmaker, issued disappointing earnings guidance for the remaining three quarters of its 2025 fiscal year. This led to worries that significant spending on artificial intelligence (AI) computing will not benefit several U.S.-based mega-cap companies as much as previously expected. The tech-heavy Nasdaq Composite Index fell into correction territory (falling 10% from its record high in early July of this year) at the end of the week.
- The Department of Labor reported that U.S. payrolls expanded by 114,000 jobs in June, below market expectations and a notable decrease from the 179,000 added in May, which represented a downward adjustment of 27,000 from the government's initial tally of 206,000 released last month. The unemployment rate rose 0.2 percentage point to 4.3%—its highest level since October 2021. Employment in the health care and construction sectors increased by 55,000 and 25,000 jobs, respectively, during the month. Average hourly earnings rose 0.2% in June, and increased 3.6% year-over-year. The 12-month advance was down from the 3.9% annual rise in May.
- The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) fell 1.7 percentage points to 48.5 in July—below market expectations—indicating contraction in the U.S. manufacturing sector for the fourth consecutive month. (A PMI reading under 50 indicates a decrease in manufacturing activity.) The ISM's Employment Index remained in contraction territory, tumbling 5.9 percentage points to 43.4. The New Orders Index declined 1.9 percentage points month-over-month to 47.4 in June, while the Production Index was down 2.6 percentage points to 45.9.
- As widely expected, the Federal Open Market Committee (FOMC) maintained the federal-funds rate in a range of 5.25% to 5.50% following its meeting on Tuesday and Wednesday, but appeared to be open to a rate cut after its September meeting. In a statement announcing the rate decision, the FOMC commented, "Inflation has eased over the past year but remains somewhat elevated. In recent months, there has been some further progress toward the Committee's 2 percent inflation objective." The Fed's characterization of inflation as "*somewhat* elevated" represented a more dovish tone.
- The FOMC reaffirmed its dual mandate of achieving both maximum employment and price stability, noting, "The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate." This language was a departure previous statements that the FOMC members were "*highly* attentive" to the risk of inflation.
- At a news conference following the FOMC meeting, Fed Chair Jerome Powell said that a rate reduction in September "could be on the table. It's just a question of seeing more good data." Powell acknowledged that the FOMC members even discussed reducing the federal-funds rate during the current meeting before voting to keep the benchmark rate steady. He also said that the central bank has "made no decisions about future meetings." Powell also noted that the U.S. labor market is robust but not overheated. "I don't think the labor market in its current state is a likely source of significant inflationary pressures, so I would not like to see material further cooling in the labor market," he stated.

Stocks

- Global equities were mixed for the week. Emerging markets outperformed developed markets.
- U.S. stocks ended the week in negative territory. Utilities and real estate were the top-performing sectors, while consumer discretionary and information technology lagged.
- Value stocks led growth, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield declined to 3.80% during the week.
- Global bond markets advanced during the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

The Numbers as of August 2, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.0%	10.5%	16.5%	803.4
MSCI EAFE ($)	0.2%	4.7%	10.2%	2342.1
MSCI Emerging Mkts ($)	1.4%	6.3%	7.1%	1087.8
US & Canadian Equities				
Dow Jones Industrials ($)	-2.1%	5.4%	12.8%	39737.3
S&P 500 ($)	-2.1%	12.1%	18.8%	5346.6
NASDAQ ($)	-3.4%	11.8%	20.2%	16776.2
S&P/ TSX Composite (C$)	-2.6%	6.1%	10.5%	22227.6
UK & European Equities				
FTSE All-Share (£)	-1.5%	5.7%	8.9%	4474.4
MSCI Europe ex UK (€)	-0.7%	6.5%	11.0%	1793.2
Asian Equities				
Topix (¥)	-6.0%	7.2%	11.9%	2537.6
Hong Kong Hang Seng ($)	-0.4%	-0.6%	-12.7%	16945.5
MSCI Asia Pac. Ex-Japan ($)	1.7%	7.4%	8.0%	567.8
Latin American Equities				
MSCI EMF Latin America ($)	-0.5%	-18.0%	-10.8%	2184.7
Mexican Bolsa (peso)	-1.2%	-9.0%	-2.3%	52204.3
Brazilian Bovespa (real)	-1.3%	-6.3%	4.3%	125772.6
Commodities ($)				
West Texas Intermediate Spot	-1.1%	6.5%	-6.4%	76.3
Gold Spot Price	1.7%	17.6%	25.6%	2430.5
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	1.1%	-0.2%	4.8%	470.4
JPMorgan Emerging Mkt Bond	0.7%	4.0%	10.8%	882.4
10-Year Yield Change (basis points*)				
US Treasury	-39	-8	-38	3.80%
UK Gilt	-27	30	-64	3.83%
German Bund	-23	15	-43	2.17%
Japan Govt Bond	-12	34	30	0.95%
Canada Govt Bond	-32	-11	-71	3.00%
Currency Returns**				
US$ per euro	0.5%	-1.2%	-0.3%	1.091
Yen per US$	-4.7%	3.9%	2.8%	146.59
US$ per £	-0.5%	0.6%	0.8%	1.281
C$ per US$	0.2%	4.7%	3.8%	1.386

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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