WEEKLY MARKET UPDATE | AUGUST 16, 2024

Stocks dig out from early August rout.

The economy

- Major U.S. equity market indexes moved sharply higher during the week ending August 16, amid continued signs of slowing inflation and surprisingly robust retail sales data, as well as dovish comments from the president of a regional Federal Reserve (Fed) bank. These factors buoyed investors' confidence that the Fed will begin to cut interest rates at its September meeting and lifted hopes that the U.S. economy can avoid recession and achieve a soft landing. The broad-market S&P 500 Index registered its best weekly performance this year.
- According to the Department of Labor, the consumer-price index (CPI) rose 0.2% in July, following a 0.1% dip in June. The 2.9% year-over-year advance in the index was marginally lower than the 3.0% annual rise in June, and represented the smallest annual increase since March 2021. Housing costs were up 0.4% in July—comprising nearly 90% of the upturn in the CPI for the month—and increased 5.1% versus the same period in 2023. Prices for used cars and trucks declined 2.2% and 10.9% in July and over the previous 12-month period, respectively. Gasoline prices were flat in July and fell 2.2% year-over-year. The 3.2% rolling 12-month rise in core inflation in July, as measured by the CPI for all items less food and energy, was down 0.1 percentage point from the 3.2% annual rise for the previous month, and was the smallest year-over-year increase since April 2021.
- Regarding inflation at the wholesale level, the Department of Labor announced that the producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services, increased by a slightly lower-than-expected rate of 0.1% in July, following a 0.2% rise in June. The PPI's 2.2% advance over the previous 12-month period represented a notable decline from the 2.6% annual upturn in June. Core wholesale inflation, as measured by the PPI less food, energy, and trade services, rose 0.3% in July, up from the 0.1% increase in June. The index rose 3.2% for the previous 12-month period, up marginally from the 3.1% year-over-year upturn in June.
- During an appearance at the Conference of African American Financial Professionals in Atlanta on Tuesday, Atlanta Federal Reserve Bank President Raphael Bostic said that he does not believe the U.S. economy will slip into recession. "I'm hopeful that in the next several months, we'll be at a place where we have an economy that's pretty much fully normalized," he commented. When asked if the central bank's pivot to a rate-cutting cycle is imminent, Bostic replied, "It is coming. If the economy evolves as I expect, you all will have bigger smiles on your face by the end of the year."
- The Census Bureau reported that U.S. retail and food services sales—a gauge of consumer spending, which comprises more than two-thirds of the nation's gross domestic product (GDP)—increased 1.0% in July, exceeding expectations. Sales rose 2.7% over the previous 12-month period. Nonstore retailers, food services and drinking places, and clothing and clothing accessories stores posted year-over-year sales gains of 8.8%, 4.0%, and 3.8%, respectively. In contrast, sales for furniture and home furnishing stores, as well as motor vehicle and parts dealers, declined by corresponding margins of 4.8% and 3.4% year-over-year.
- There was some notable news during the week concerning the U.S. real estate market. The Census Bureau reported that new housing starts, a gauge of the health of the residential real estate market, tumbled 6.8% in July—a significantly larger decline than consensus expectations of a 1.0% downturn—and were down 16.0% over the previous 12-month period. The number of building permits, an indicator of new construction activity in the near term, decreased 4.0% and 7.0% for the month and year-over-year, respectively.

Stocks

- Global equities garnered positive returns for the week. Developed markets outperformed emerging markets.
- U.S. stocks staged a significant rally during the week. Information technology and consumer discretionary were the top-performing sectors, while real estate and energy were the main market laggards.
- Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield fell to 3.88% during the week.
- Global bond markets posted gains over the week.
- Corporate bonds led the markets, followed by high-yield bonds and government bonds.

The Numbers as of August 16, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	3.3%	11.8%	21.6%	812.8
MSCI EAFE ($)	2.7%	4.9%	13.4%	2345.6
MSCI Emerging Mkts ($)	1.2%	5.1%	10.5%	1076.0
US & Canadian Equities				
Dow Jones Industrials ($)	2.9%	7.9%	17.9%	40659.8
S&P 500 ($)	3.9%	16.4%	27.1%	5554.3
NASDAQ ($)	5.3%	17.5%	32.4%	17631.7
S&P/ TSX Composite (C$)	3.3%	10.0%	16.4%	23054.6
UK & European Equities				
FTSE All-Share (£)	1.8%	7.4%	13.8%	4545.0
MSCI Europe ex UK (€)	2.4%	6.4%	12.2%	1792.9
Asian Equities				
Topix (¥)	7.9%	13.2%	18.9%	2678.6
Hong Kong Hang Seng ($)	2.0%	2.2%	-4.9%	17430.2
MSCI Asia Pac. Ex-Japan ($)	1.0%	5.6%	11.4%	558.5
Latin American Equities				
MSCI EMF Latin America ($)	3.2%	-12.8%	-0.8%	2321.6
Mexican Bolsa (peso)	1.9%	-5.8%	1.7%	54083.8
Brazilian Bovespa (real)	2.6%	-0.2%	16.5%	133953.3
Commodities ($)				
West Texas Intermediate Spot	1.7%	9.1%	-2.8%	78.2
Gold Spot Price	2.5%	20.8%	32.2%	2496.0
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.2%	1.0%	7.2%	475.9
JPMorgan Emerging Mkt Bond	0.7%	5.1%	13.3%	891.4
US Treasury	-6	0	-40	3.88%
UK Gilt	-2	39	-82	3.92%
German Bund	2	22	-46	2.25%
Japan Govt Bond	2	26	23	0.88%
Canada Govt Bond	-5	-4	-70	3.07%
Currency Returns**				
US$ per euro	1.0%	-0.1%	1.4%	1.103
Yen per US$	0.7%	4.7%	1.2%	147.61
US$ per £	1.4%	1.7%	1.5%	1.294
C$ per US$	-0.3%	3.3%	1.0%	1.368

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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