Weekly Market Recap

August 26, 2024

Market Commentary

Last Week's Highlights: Fed Chairman Powell essentially gave the green light for the first rate cut next month. Tech stocks took a back seat to defensive sectors last week. The Dow was up 1.27% last week, while the S&P 500 gained 1.45%, the Nasdaq was moved higher 1.40%, while the Russell 2000 gained 3.58%. Bond yields were down across the board last week. The BBgBarc Agg Bond Index was up 0.69% for the week and short-term bonds gained 0.34%. The US dollar was down last week, helping international equities to out-perform. The MSCI EAFE Index gained 2.89%, but the MSCI Emerging Markets Index was higher 2.20%. **Economic Data:** The Fed's preferred measure of inflation comes out this week, with multiple Fed speakers lined up. The key economic data releases this week are Durable Goods Orders, Dallas Fed Manufacturing Index, Redbook Sales, Case-Shiller Home Price Index, CB Consumer Confidence, Richmond Fed Manufacturing Index, Initial Jobless Claims, Continuing Claims, GDP Q2 (1st revision), Pending Home Sales, PCE Price Index, Personal Income, Personal Spending, Chicago PMI, & UoM Consumer Sentiment. **Earnings Releases:** Lower-end retailers report this week. The key earnings releases this week are BHP, SBNY, MESA, NVDA, CRM, HPQ, CHWY, BBWI, FL, KSS, VSCO, GES, BNED, DELL, BBY, BF,B, & GAP. **Takeaways:** The Bureau of Labor Statistics decided to revise the jobs added from April 2023 to March 2024 lower by approximately 818,000. It's the 2nd largest downward revision to payrolls since 2009. Last Friday at the Jackson Hole Symposium, Fed Chairman Powell basically signaled the first rate cut in 4 years for next month when he stated, *"The time has come for policy to adjust."* As such, the markets show a 63% probability of a 25 basis points rate cut next month. Investors need to remember that it's about the long-game and not to get too focused on the short-term. When we look at the history of Bull and Bear markets, clients should realize the upside is more powerful towards compounding returns than the downside is toward eliminating returns. That being said, now that the Fed is ready to adjust policy, investors need to adjust portfolios with the change in interest rates. Sectors that do well during falling interest rates are Defensive sectors and those that under-perform during falling rates are more Cyclical in nature. The PCE Index (inflation) will be released this week, which could further guide the magnitude of the Fed's first rate cut.

Market Returns

Sectors	1 Week Return	YTD Return
Technology	1.39%	27.19%
Industrials	2.08%	13.80%
Energy	-0.17%	9.79%
Communication Svcs	1.29%	22.69%
Basic Materials	2.50%	7.26%
Consumer Cyclical	2.73%	6.86%
Financial Svcs	1.70%	19.11%
Real Estate	3.58%	9.99%
Consumer Defensive	1.52%	15.79%
Healthcare	1.88%	14.71%
Utilities	1.18%	20.92%

Key Indices	1 Week Return	YTD Return
S&P 500	1.45%	18.13%
Dow Jones Industrial Average	1.27%	9.25%
Russell 2000	3.58%	9.45%
Nasdaq	1.40%	19.10%
MSCI EAFE	2.89%	9.09%
BBgBarc Agg Bond	0.69%	3.70%
60% S&P / 40% BB Agg Bond	1.29%	12.36%

Key Rates—as of 8/23/2024	
3mth T-bills	5.14%
2yr U.S. Treasury	3.91%
10yr U.S. Treasury	3.80%
Fed Funds	5.25%-5.50%

Investment Styles—1 Week Returns

	Value	Blend	Growth
Large	1.55%	1.30%	0.92%
Mid	2.41%	2.68%	1.85%
Small	3.17%	2.82%	3.48%

Investment Styles—YTD Returns

	Value	Blend	Growth
Large	13.32%	19.07%	13.81%
Mid	12.76%	11.84%	9.52%
Small	7.03%	9.71%	8.96%

See important disclosures on last page.

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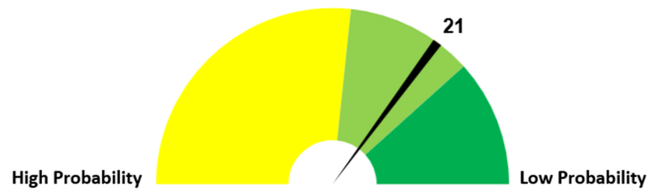
Recession Indicator

The current score of our Recession Indicator suggests that there is a moderate probability of a recession in the next 6-12 months. The Indicator was unchanged last week. It stands at a level of 21. NAAIM, ANCFI, and the Financial Stress Index are at a positive levels. GDP, Housing Starts, CPI (inflation), and the Savings Rate are at moderate levels. The Yield Curve, Consumer Sentiment, Unemployment, & the Savings Rate are at levels that are typically associated with recessions. The indicator has shown the first major movement since the end of 2023.



Probability of Recession	
Low	30-24
Moderate	23-17
High	16-10

Source: Eudaimonia Asset Management

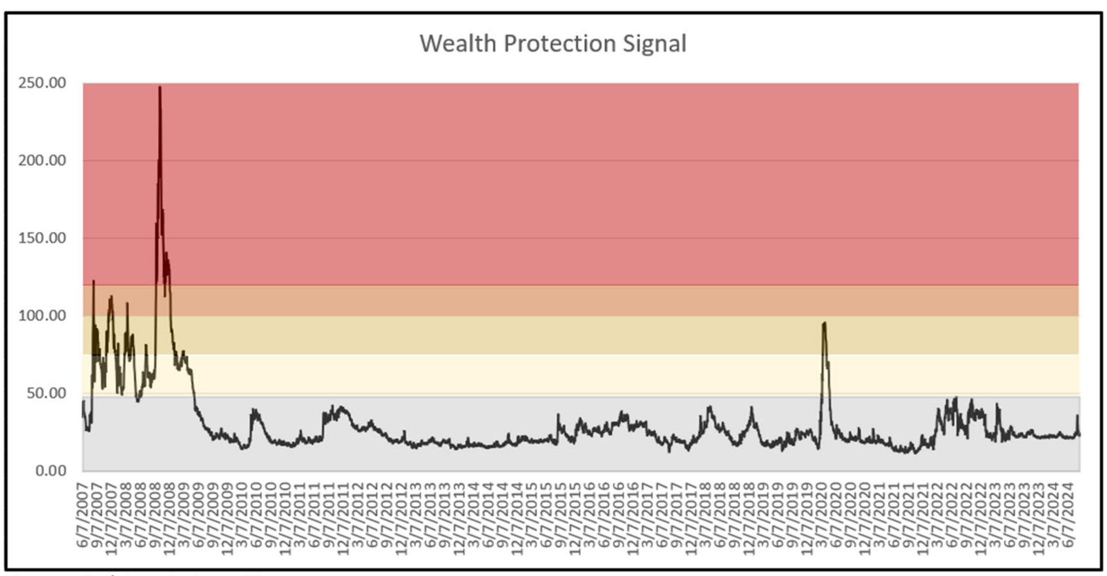
Wealth Protection Signal

Description

The Wealth Protection Signal measures panic or "fear" among investors, as well as, "volatility" in the market. The Signal is comprised of a proprietary weighting to the VIX Index (volatility) and to the TED Spread (fear). When these indices spike, major market meltdowns tend to follow. The Signal is also measured against the Yield Curve. When the 1st Cash Raise Level is reached, the Yield Curve (2yr Treasury Bond Yields > than 10yr Treasury Bond Yields) must also be inverted or have been inverted within the past 90 days in order for the 1st Cash Raise to trigger.

Current Level

The current level of the Wealth Protection Signal is at 23.53 as of Friday's close on August 23rd, 2024. The Signal increased 2.5% last week. Volatility picked up during the week as speculation grew regarding Powell's speech. The Signal would need to increase 91% to reach the 1st trigger point. The Wealth Protection Signal is currently indicating that investors should have a 0% cash-weighting as a defensive position within their respective asset allocation at this time.



Cash Raise Level
40%
30%
20%
10%
0%

Current Level
23.53
8/23/2024

Source: Eudaimonia Asset Management

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Disclosures

Sources: Investment Style returns are derived from Morningstar, Inc. (https://indexes.morningstar.com/indexdata#). Key Rates table derived from Bloomberg. (https://www.bloomberg.com/markets/rates-bonds/government-bonds/us). Sectors and Key Indices tables are derived from Charles Schwab Advisor Center.

Recession Indicator is comprised of 10 economic measurements including, the Yield Curve, GDP, Inflation, Wage Growth, Unemployment, Housing Starts, Consumer Sentiment, Adjusted National Financial Conditions Index, the Fed's Financial Stress Index, U.S. Savings Rate, and the NAAIM (National Association of Active Investment Managers) Index.

Wealth Protection Signal is comprised of the VIX and the TED Spread Indices. The VIX Index is the Chicago Board of Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. The TED Spread is the price difference between 3-month futures contracts for U.S. Treasuries and 3-month futures contracts for Eurodollars having identical expiration months.

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