PHOENIX
ASSET ADVISORS, LLC

# Weekly Market Recap

## September 16, 2024

## Market Commentary

**Last Week's Highlights:** Markets reversed course and rallied last week. The Dow was up 2.60% last week, while the S&P 500 gained 4.02%, the Nasdaq was higher by 5.95%, while the Russell 2000 was up 4.36%. Bond yields were lower across the yield curve last week as the curve continues to steepen. The BBgBarc Agg Bond Index was up 0.54% for the week and short-term bonds gained 0.32%. The US dollar was down slightly last week, but international equities still under-perform domestic equities. The MSCI EAFE Index gained 1.27%, while the MSCI Emerging Markets Index was up 0.72%. **Economic Data:** While there are multiple data points next week, all eyes will be on the Fed. The key economic data releases this week are NY Empire State Manufacturing Index, Retail Sales, Redbook Sales, Capacity Utilization Rate, Industrial Production, NAHB Housing Market Index, Building Permits (P), Housing Starts, FOMC Interest Rate Decision, Initial Jobless Claims, Continuing Claims, Philly Fed Manufacturing Index, Existing Home Sales, & US Leading Index. **Earnings Releases:** There's just a few major companies left to report the last two weeks of Q2 earnings season. The key earnings releases this week are APOG, GIS, KBH, FDX, LEN, DRI, & CBRL. **Takeaways:** This week, the release of the August inflation numbers revealed that both Consumer Prices and Producer Prices declined on a year-over-year basis and are well below the historical average - indicating the Fed could have afforded to cut rates months ago. One other thing to note, the gap between Producer Prices and Consumer Prices has widened again over the past few months and indicates that not all savings are being passed along to the consumer. Just one month ago, the probabilities of a 50 bps rate cut or a 25 bps rate cut were about even. Since then, the market moved more toward a 25 bps rate cut and now we're at almost a 50:50 probability again. Global equities saw the largest monthly outflows last month since the first month of the year and the largest monthly outflows in the last 3 years. There's a case to be made that now might be the time to diversify into other asset classes if investors are concentrated in tech names or high growth/momentum. Look for more turbulent trading in equities this week as the market is clearly undecided on either a 25 or 50 bps rate cut and any perceived surprise by the Fed could affect this week's returns.

## Market Returns

| Sectors | 1 Week Return | YTD Return |
|---|---|---|
| Technology | 6.77% | 25.23% |
| Industrials | 3.94% | 14.05% |
| Energy | -0.52% | 3.80% |
| Communication Svcs | 4.28% | 20.72% |
| Basic Materials | 3.71% | 6.75% |
| Consumer Cyclical | 5.41% | 9.09% |
| Financial Svcs | 0.73% | 18.85% |
| Real Estate | 3.65% | 14.52% |
| Consumer Defensive | 1.11% | 17.99% |
| Healthcare | 1.58% | 15.03% |
| Utilities | 3.83% | 26.59% |

| Key Indices | 1 Week Return | YTD Return |
|---|---|---|
| S&P 500 | 4.02% | 17.95% |
| Dow Jones Industrial Average | 2.60% | 9.83% |
| Russell 2000 | 4.36% | 7.67% |
| Nasdaq | 5.95% | 17.80% |
| MSCI EAFE | 1.27% | 7.81% |
| BBgBarc Agg Bond | 0.54% | 5.04% |
| 60% S&P / 40% BB Agg Bond | 2.96% | 12.79% |

| Key Rates—as of 9/13/2024 | |
|---|---|
| 3mth T-bills | 4.90% |
| 2yr U.S. Treasury | 3.59% |
| 10yr U.S. Treasury | 3.64% |
| Fed Funds | 5.25%-5.50% |

**Investment Styles—1 Week Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 1.08% | 3.52% | 6.88% |
| Mid | 1.56% | 3.40% | 4.25% |
| Small | 2.70% | 3.36% | 4.54% |

**Investment Styles—YTD Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 15.06% | 19.68% | 15.41% |
| Mid | 12.48% | 12.54% | 8.96% |
| Small | 5.32% | 8.17% | 7.65% |

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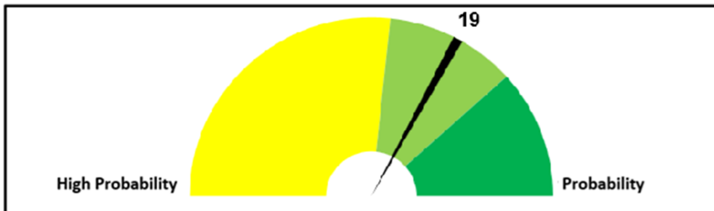
## Recession Indicator

The current score of our Recession Indicator suggests that there is a <u>moderate probability</u> of a recession in the next 6-12 months. The Indicator declined 1 point last week. It stands at a level of 19. The ANCFI, and the Financial Stress Index are at a positive levels. GDP, NAAIM, CPI (inflation), and the Savings Rate are at moderate levels. The Yield Curve, Consumer Sentiment, Unemployment, Housing Starts, & 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*

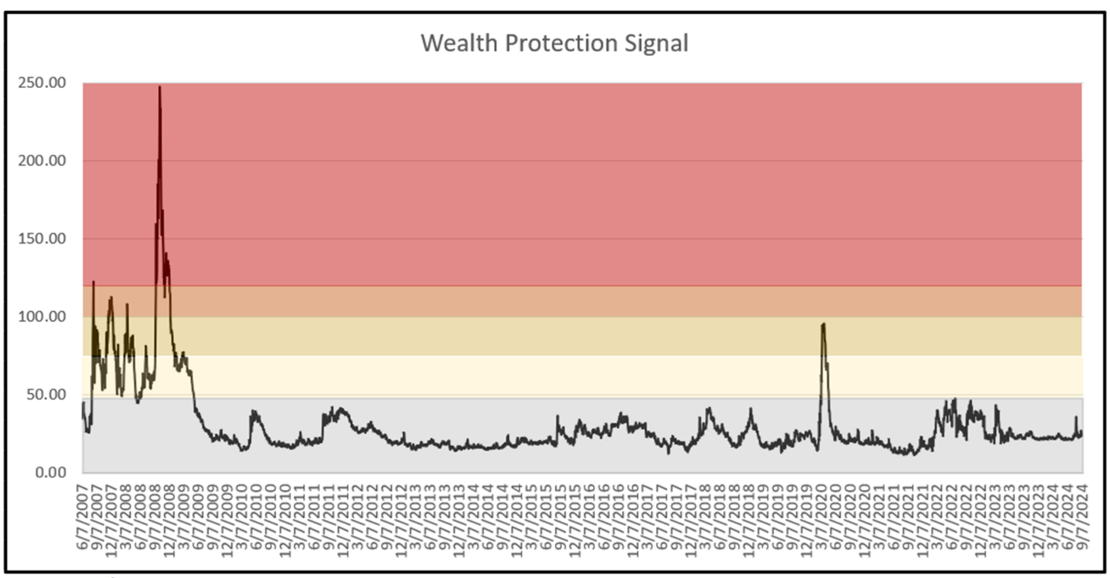
## Wealth Protection Signal

**<u>Description</u>**

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.

**<u>Current Level</u>**

The current level of the Wealth Protection Signal is at 23.83 as of Friday's close on September 13th, 2024. The Signal decreased 12.1% last week. Volatility eased as the probability of a 50 basis point rate cut this week increased. The Signal would need to increase 89% to reach the 1st trigger point. The Wealth Protection Signal is currently indicating that investors should have a <u>0% cash-weighting</u> as a defensive position within their respective asset allocation at this time.




*Source: Eudaimonia Asset Management*

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

| Current Level |
|---|
| 23.83 |
| 9/13/2024 |

*See important disclosures on last page.*

### 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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### Risk Disclosure

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All investments include a risk of loss that clients should be prepared to bear.