PHOENIX
ASSET ADVISORS, LLC

# Weekly Market Recap

## September 9, 2024

## Market Commentary

**Last Week's Highlights:** Markets pulled back last week as recession fears begin to mount, as well as thoughts that the Fed is behind the curve. The Dow was down 2.93% last week, while the S&P 500 lost 4.25%, the Nasdaq was lower by 5.72%, while the Russell 2000 was off by 5.69%. Bond yields were lower on the long-end the yield curve last week as the curve continues to steepen. The BBgBarc Agg Bond Index was up 1.33% for the week and short-term bonds gained 0532%. The US dollar was down slightly last week, helping international equities to slightly out-perform domestic equities. The MSCI EAFE Index lost 3.18%, while the MSCI Emerging Markets Index was down 2.44%. **Economic Data:** Inflation will be the focus this week, but according to the Fed, that doesn't really matter anymore. The key economic data releases this week are CB Employment Trends, Total Vehicle Sales, Wholesale Inventories, Consumer Credit, NFIB Small Business Optimism, Redbook Sales, Consumer Price Index (inflation), Producer Price Index (inflation), Initial Jobless Claims, Continuing Claims, & UoM Consumer Sentiment (P). **Earnings Releases:** There's just a few more weeks of 2nd quarter earnings left. The key earnings releases this week are ORCL, AVO, GME, ASO, PLAY, ADBE, KR, & BIG. **Takeaways:** The probability of a 25 basis point rate cut or a 50 basis point rate cut has shifted since Friday's labor report. Just a week ago, there was only a 30% probability of a 50 basis point cut. Friday, that moved higher to a 37% probability, but as of this morning, it's back to only a 29% probability of a 50 bps cut. The reality is whether it's 25 or 50 bps, it probably won't move the needs on the housing market as more than 62% of current mortgages are at or below 4%, which means even 50 bps wouldn't get the 30-year mortgage below 5.5% to get homebuyers off the sideline. We are entering a time of the calendar year when equities tend to be weak. Most of the monthly returns for the S&P 500 in September, going back to 1950, have been negative. The Yield Curve finally closed uninverted last week as the 10-year Treasury Yield ended the week 7 basis points above the 2-year Treasury Yield. This is the first time the two yields have closed uninverted since July of 2022. Defensive sectors like Utilities, Consumer Staples, and Financials are out-performing momentum sectors such as Semiconductors, Consumer Discretionary, Technology since the middle of July. There are still sectors to find value among equities.

## Market Returns

| Sectors | 1 Week Return | YTD Return |
|---|---|---|
| Technology | -6.81% | 17.29% |
| Industrials | -4.89% | 9.73% |
| Energy | -5.77% | 4.34% |
| Communication Svcs | -5.00% | 15.77% |
| Basic Materials | -5.28% | 2.93% |
| Consumer Cyclical | -2.77% | 3.49% |
| Financial Svcs | -3.49% | 17.98% |
| Real Estate | -0.04% | 10.49% |
| Consumer Defensive | 0.24% | 16.70% |
| Healthcare | -2.25% | 13.24% |
| Utilities | -0.59% | 21.92% |

| Key Indices | 1 Week Return | YTD Return |
|---|---|---|
| S&P 500 | -4.25% | 13.39% |
| Dow Jones Industrial Average | -2.93% | 7.05% |
| Russell 2000 | -5.69% | 3.17% |
| Nasdaq | -5.77% | 11.19% |
| MSCI EAFE | -3.18% | 6.54% |
| BBgBarc Agg Bond | 1.33% | 4.50% |
| 60% S&P / 40% BB Agg Bond | -2.49% | 9.83% |

| Key Rates—as of 9/6/2024 | |
|---|---|
| 3mth T-bills | 5.06% |
| 2yr U.S. Treasury | 3.65% |
| 10yr U.S. Treasury | 3.72% |
| Fed Funds | 5.25%-5.50% |

**Investment Styles—1 Week Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 1.69% | 1.01% | 0.20% |
| Mid | 0.91% | 0.84% | -0.19% |
| Small | 0.36% | 0.18% | -0.30% |

**Investment Styles—YTD Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 17.23% | 20.27% | 14.04% |
| Mid | 13.78% | 12.79% | 9.31% |
| Small | 7.41% | 9.92% | 8.64% |

## 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 declined 1 point last week. It stands at a level of 20. NAAIM, ANCFI, and the Financial Stress Index are at a positive levels. GDP, 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*

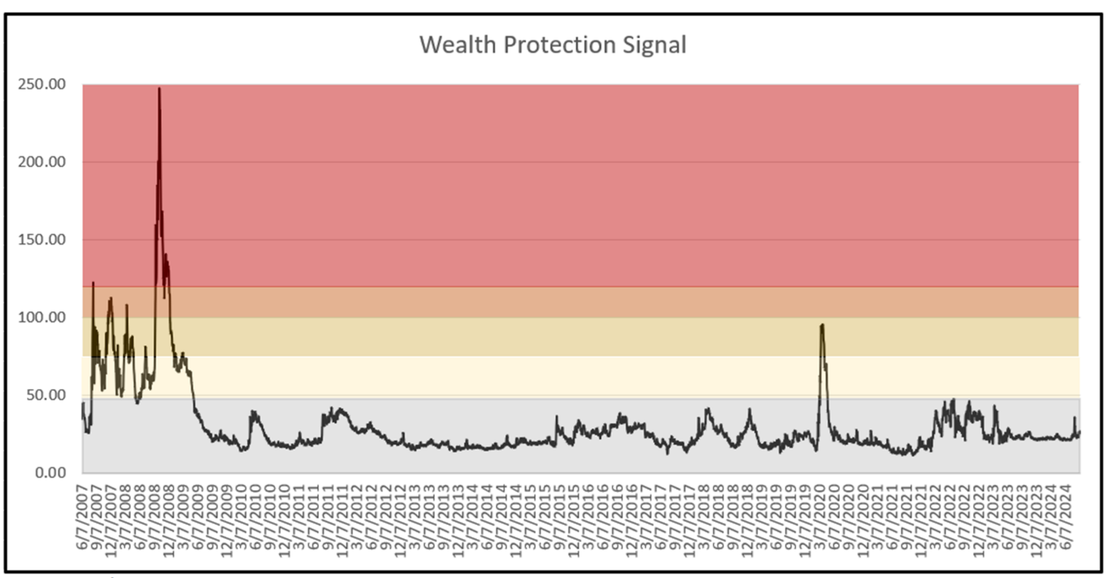
## Wealth Protection Signal

**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 27.11 as of Friday's close on September 6th, 2024. The Signal increased 17.6% last week. Volatility jumped over concerns that the Fed is behind the curve on interest rates and a softening labor market. The Signal would need to increase 66% 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**
27.11
9/6/2024

*Source: Eudaimonia Asset Management*

*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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