PHOENIX
ASSET ADVISORS, LLC

Weekly Market Recap

August 19, 2024

Market Commentary

Last Week's Highlights: Risk assets were sold early last week as arbitrage trades were unwound. Equities improved later in the week as risk assets rebounded. The Dow was up 2.94% last week, while the S&P 500 gained 3.93%, the Nasdaq was moved higher 5.29%, while the Russell 2000 gained 2.93%. Bond yields were mixed last week, but bonds were higher overall. The BBgBarc Agg Bond Index was up 0.55% for the week and short-term bonds gained 0.72%. The US dollar was down just slightly last week, but international equities mixed. The MSCI EAFE Index lost 0.76%, but the MSCI Emerging Markets Index gained 2.03%. **Economic Data:** Fed Chairman Powell speaks at the Jackson Hole Symposium this week. The key economic data releases this week are US Leading Index, Redbook Sales, FOMC Meeting Minutes, Chicago Fed National Activity Index, Initial Jobless Claims, Continuing Claims, S&P Manufacturing PMI (P), S&P Services PMI (P), Existing Home Sales, KC Fed Manufacturing Index, Building Permits, & New Home Sales. **Earnings Releases:** Lowe's & Target highlight the earnings reports this week. The key earnings releases this week are PANW, DDD, SBNY, PLCE, MESA, SIMPQ, LOW, MDT, TOL, TGT, SNOW, A, ZM, M, INTU, WDAY, ROST, DLTR, & UI,. **Takeaways:** With nearly 95% of S&P 500 companies having reported 2nd quarter earnings, the year-over-year earnings growth rate for those companies is 10.8%, which is the highest since the 4th quarter of 2021. The inflation report came out last week and showed that inflation was flat or continuing to slow. The Producer Price Index (PPI) was lower than expected for July and dropped from 2.7% to 2.2%, year-over-year. Similarly, the Consumer Price Index (CPI) was flat for July, but also dropped from 3.0% to 2.9%, year-over-year. However, since equities have recovered from the "carry trade" unwinding, the expectations for the first rate cut have dropped. Just one month ago, the probability of a 50 basis point rate cut was greater than 50%. Now, the expectation is greater than 70% for only a 25 basis point rate cut next month. It's possible that the Fed has waited too long to cut rates, as homes for sale has climbed to the highest since 2008. Retail investors have now begun to buy nearly every dip in the market. From the end of July to the first week in August, retail investors feared missing the bottom and inflows into equities were the highest in over a year. Powell's comments in Jackson Hole this week will be closely watched.

Market Returns

Sectors	1 Week Return	YTD Return
Technology	0.26%	17.31%
Industrials	0.30%	9.00%
Energy	1.13%	8.57%
Communication Svcs	0.74%	19.82%
Basic Materials	-1.37%	2.54%
Consumer Cyclical	-0.84%	-0.76%
Financial Svcs	0.41%	13.39%
Real Estate	-0.20%	5.98%
Consumer Defensive	-0.41%	12.02%
Healthcare	-0.47%	10.43%
Utilities	-0.72%	18.06%

Key Indices	1 Week Return	YTD Return
S&P 500	-0.04%	12.04%
Dow Jones Industrial Average	-0.60%	4.80%
Russell 2000	-1.35%	2.66%
Nasdaq	-0.18%	11.55%
MSCI EAFE	4.49%	6.96%
BBgBarc Agg Bond	-0.85%	2.46%
60% S&P / 40% BB Agg Bond	-0.37%	8.21%

Key Rates—as of 8/9/2024	
3mth T-bills	5.22%
2yr U.S. Treasury	4.06%
10yr U.S. Treasury	3.95%
Fed Funds	5.25%-5.50%

Investment Styles—1 Week Returns

	Value	Blend	Growth
Large	-0.41%	0.38%	1.86%
Mid	-0.42%	0.01%	1.10%
Small	-0.82%	-0.76%	0.26%

Investment Styles—YTD Returns

	Value	Blend	Growth
Large	10.76%	13.93%	7.45%
Mid	7.96%	6.11%	3.81%
Small	1.15%	4.26%	2.31%

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

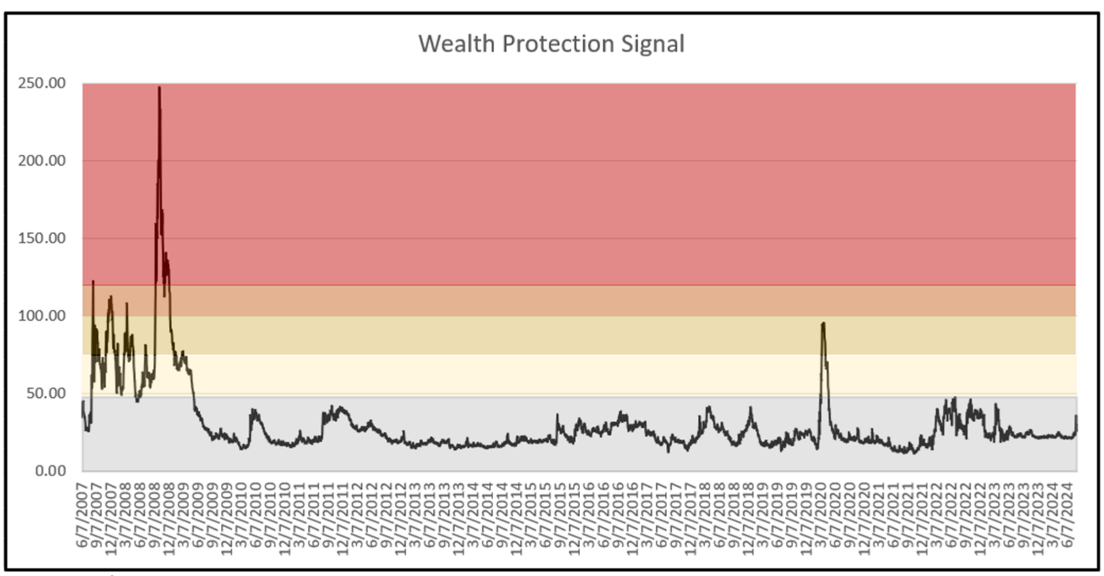
Wealth Protection Signal

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 26.01 as of Friday’s close on August 9th, 2024. The Signal decreased 6.0% last week in a wild week of trading. Risk assets dropped on Monday as arbitrage trades were unwound. Risk assets appreciated later in the week, pushing volatility lower. The Signal would need to increase 73% 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
26.01
8/9/2024

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