



Annapolis, Maryland

WEEK OF SEPTEMBER 3, 2024

Market Update

Nvidia earnings and July's personal consumption expenditures (PCE) data were highlights last week. Nvidia beat earnings expectations but shares fell more than 7 percent. PCE was largely in line with expectations, keeping the Federal Reserve (Fed) on track for a rate cut this month.

Quick Hits

- 1. Report releases:** PCE data was in line with expectations, setting up a Fed rate cut for September.
- 2. Financial market data:** Nvidia's earnings highlighted the lofty expectations faced by the biggest S&P 500 companies.
- 3. Looking ahead:** This week's employment report will be the last one before the Fed meets later this month.



Report Releases: August 26–30, 2024

Preliminary Durable Goods Orders July (Monday)

Headline durable goods orders were well above economist estimates due to a rise in volatile aircraft orders. Core orders, which strip out the impact of high-value transportation orders, fell modestly.

- Expected/prior durable goods orders monthly change: +5.0%/–6.9%
- Actual durable goods orders change: +9.9%
- Expected/prior core durable goods orders monthly change: +0.0%/+0.1%
- Actual core durable goods orders change: –0.2%



Conference Board Consumer Confidence Index August (Tuesday)

Consumer confidence improved more than expected due to improving consumer views on current and future economic conditions.

- Expected/prior month consumer confidence: 100.8/101.9
- Actual consumer confidence: 103.3



Personal Spending and Personal Income July (Friday)

Personal income and spending continued to improve in July, with income growth slightly beating expectations and spending landing in line with economist forecasts.

- Expected/prior personal income monthly change: +0.2%/+0.2%
- Actual personal income change: +0.3%
- Expected/prior personal spending monthly change: +0.5%/+0.3%
- Actual personal spending change: +0.5%



>> The Takeaway

- Consumer confidence has been shaky over the past few months but is showing signs of improvement.
- July PCE data didn't change expectations for a rate cut at the Fed's September meeting.

Financial Market Data

Equity

| Index | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|-----------------------|--------------|---------------|--------------|----------|
| S&P 500 | 0.27% | 2.43% | 19.52% | 27.12% |
| Nasdaq Composite | -0.91% | 0.74% | 18.58% | 27.20% |
| DJIA | 1.07% | 2.03% | 11.75% | 22.06% |
| MSCI EAFE | 0.43% | -0.18% | 12.27% | 20.17% |
| MSCI Emerging Markets | -0.70% | -0.32% | 9.45% | 14.46% |
| Russell 2000 | -0.01% | -1.50% | 10.38% | 18.44% |

Source: Bloomberg, as of August 30, 2024

Nvidia beat earnings expectations and increased forward guidance, but that wasn't enough to satisfy the market; shares fell 7.7 percent. This highlights the difficulty faced by top market performers in beating high expectations and valuations. The S&P 500 still saw positive performance, especially in industries such as insurance, credit cards, railways, aerospace/defense, and payment processors. Several cyclical industries underperformed, including casual diners, homebuilders, beauty and apparel retailers, trucking, and casinos.

Fixed Income

| Index | Month-to-Date | Year-to-Date | 12-Month |
|-------------------|---------------|--------------|----------|
| U.S. Broad Market | 1.44% | 3.06% | 7.47% |
| U.S. Treasury | 1.28% | 2.60% | 6.19% |
| U.S. Mortgages | 1.61% | 3.27% | 7.64% |
| Municipal Bond | 0.79% | 1.30% | 6.19% |

Source: Bloomberg, as of August 30, 2024

Treasuries were weaker, with the yield curve steepening. With the next Federal Open Market Committee (FOMC) meeting roughly two weeks away, futures markets are confidently pricing in expectations for a rate cut of 25 basis points (bps), which would end an eight-meeting streak of steady policy rates. Fed Chair Jerome Powell seemed to agree with market expectations. "The time has come for policy to adjust," he said at the recent Jackson Hole Economic Symposium.

>> The Takeaway

- High expectations raise the bar for continued market performance, as evidenced by the market's reaction to Nvidia.
- PCE data hasn't changed the Fed rate cut outlook.

Looking Ahead

This week, we expect data on manufacturing, services, and employment.

- The week kicks off Tuesday with the **Institute for Supply Management (ISM) Manufacturing index**, which is set to improve in August but remain in contractionary territory.
- **International trade balance** data for July, due Wednesday, is expected to show a widening trade deficit after narrowing more than expected in June.
- On Thursday, we expect the **ISM Services index** for August. Although confidence is expected to moderate slightly, the index is set to remain in expansionary territory for the second consecutive month.
- The highlight of the week comes Friday with the release of the **August employment report**, which is expected to show stronger hiring after a smaller-than-anticipated rise in jobs in July. The unemployment rate is set to drop modestly after increasing more than expected in July. This will be the last employment data the Fed will see before it decides whether to cut the federal funds rate at its September meeting.





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measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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