Traverse City, Michigan

WEEK OF SEPTEMBER 9, 2024

Market Update

The August employment report was a major catalyst for the worst weekly performance by the S&P 500 in more than a year. Concerns over slowing growth contributed to cyclicals falling (led by big tech), whereas defensive industries outperformed.

Quick Hits

1. **Report releases:** The August employment report missed expectations and was downwardly revised for prior months.

2. **Financial market data:** The poor employment report helped send stocks lower.

3. **Looking ahead:** The Consumer Price Index (CPI) inflation report comes out this week.

Report Releases: September 3–6, 2024

ISM Manufacturing Index
August (Tuesday)

Manufacturer confidence improved modestly despite slowing manufacturing hiring during the month.

- Expected/prior ISM Manufacturing index: 47.5/46.8
- Actual ISM Manufacturing index: 47.2

Trade Balance
July (Wednesday)

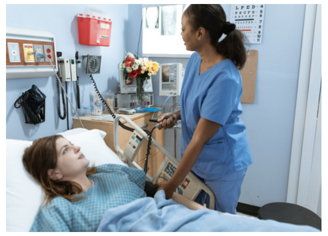
The trade deficit widened to its largest level in more than two years. The increase was driven by a 2.1 percent rise in imports during July that outweighed a 0.5 percent increase in exports.

- Expected/prior trade deficit: –$79.0 billion/–$73.0 billion
- Actual trade deficit: –$78.8 billion

ISM Services Index
August (Thursday)

Service sector confidence improved modestly after rising more than expected in July. New orders picked up and hiring growth slowed.

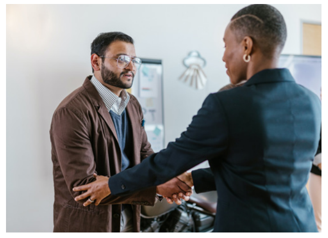
- Expected/prior ISM Services index: 51.4/51.4
- Actual ISM Services index: 51.5



Employment Report
August (Friday)

Hiring accelerated in August; 142,000 jobs were added following a downwardly revised 89,000 in July. The unemployment rate fell from 4.3 percent to 4.2 percent.

- Expected/prior change in nonfarm payrolls: +165,000/–89,000
- Actual change in nonfarm payrolls: +142,000



>> The Takeaway

- The employment report missed expectations and, when combined with prior downward revisions, gave the market cause for concern with slowing growth expectations.
- The market saw yields fall as it priced in faster rate cut expectations for the Federal Reserve (Fed).

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−4.22%	−4.22%	14.48%	22.89%
Nasdaq Composite	−5.75%	−5.75%	11.75%	21.28%
DJIA	−2.90%	−2.90%	8.51%	19.47%
MSCI EAFE	−2.81%	−2.81%	9.31%	18.22%
MSCI Emerging Markets	−2.24%	−2.24%	7.35%	12.73%
Russell 2000	−5.67%	−5.67%	4.13%	13.23%

Source: Bloomberg, as of September 6, 2024

U.S. equities fell, with the S&P 500 posting its worst weekly performance since March 2023. The Nasdaq and Russell 2000 lagged the S&P 500 as investors grew concerned that the employment report and other economic data is pointing to a slowdown in growth. Technology led the declines, with other cyclicals also underperforming, including industrial metals, energy, apparel, retail, banks, and cruise lines. Outperformers were primarily defensive sectors, including food and beverage, tobacco, and telecommunications. Airlines also outperformed due to a sell-off in oil; WTI crude fell 8 percent.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.84%	4.40%	9.93%
U.S. Treasury	1.58%	4.01%	8.57%
U.S. Mortgages	1.84%	4.58%	10.23%
Municipal Bond	0.07%	1.81%	6.77%

Source: Bloomberg, as of September 6, 2024

Treasury yields fell across the curve as investors priced in a weaker economy and faster rate cut expectations by the Fed. The 2-year dipped below 3.7 percent and the 10-year fell to just 3.75 percent, causing the yield curve to uninvert for the first time since July 2022. Expectations for the Federal Open Market Committee (FOMC) meeting next week are split between cuts of 25 basis points (bps) and 50 bps.

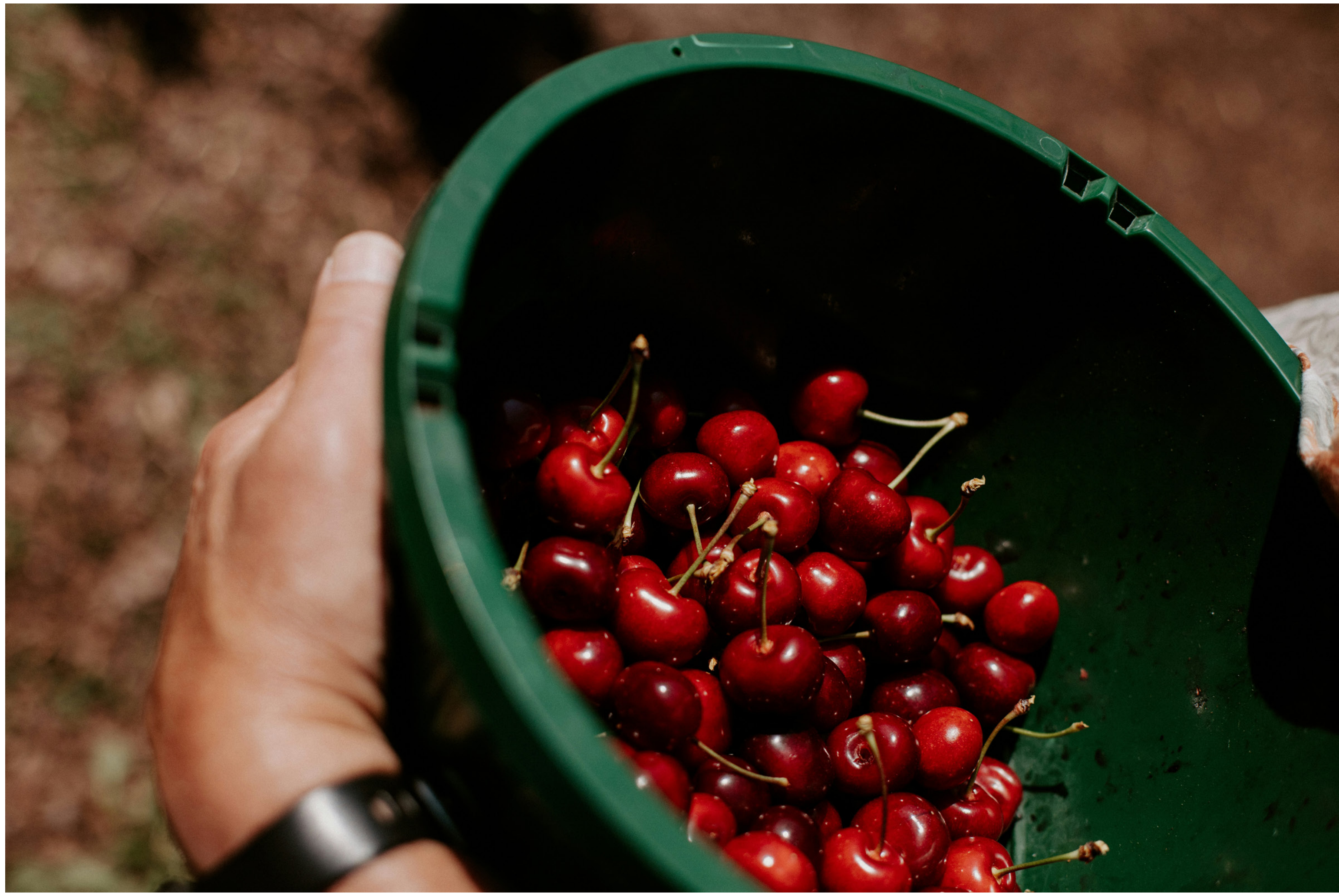
>> The Takeaway

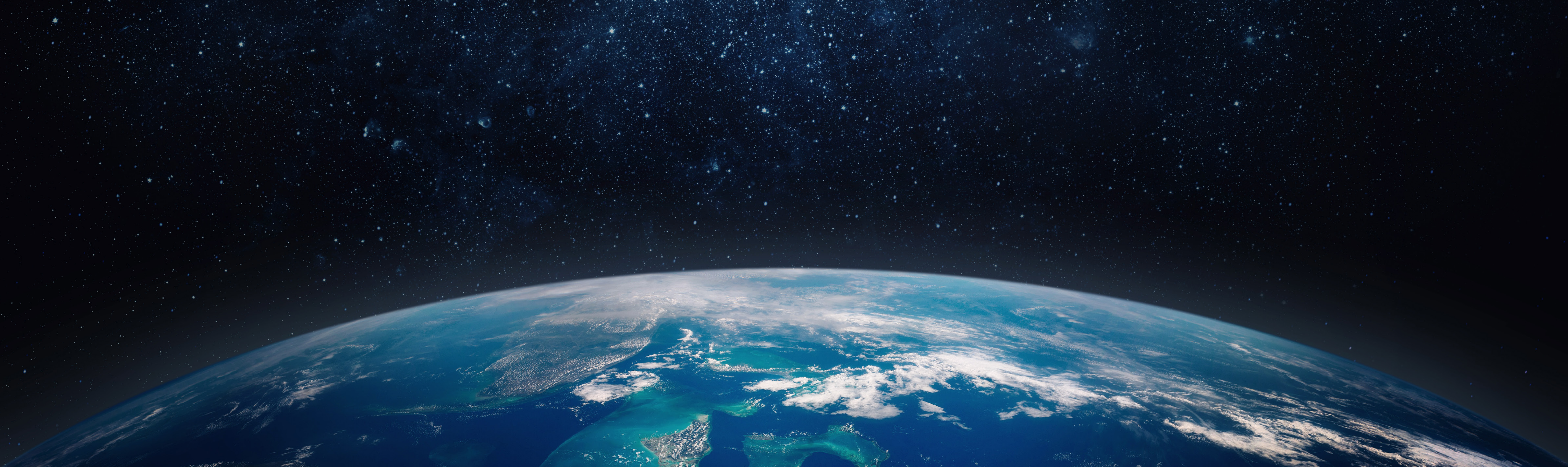
- The market responded negatively to last week's poor employment report.
- The Fed has one more major data point coming out this week (CPI) that could affect yields and market sentiment.

Looking Ahead

This week, the focus will be on Wednesday's CPI report, which will be a critical factor in the FOMC's decision-making process.

- The August **CPI report** on Wednesday is expected to show that consumer inflation dropped to 2.6 percent, with core inflation set to remain unchanged at 3.2 percent.
- The August **Producer Price Index (PPI)** report on Thursday is expected to show signs of softening, with year-over-year price growth set to slow from 2.2 percent to 1.8 percent.
- On Friday, the **preliminary University of Michigan consumer sentiment survey** for September is expected to show modest improvements.





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