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ECONOMIC REVIEW¹

- The Personal Consumption Expenditures Price Index (PCE) held steady in July at 2.5% – below expectations of a slight YoY rise to 2.6%.
 - The measure rose 0.2% MoM – up slightly from last month’s 0.1% but in line with expectations.
- Mimicking headline inflation, core PCE rose 2.6% YoY in a repeat of last month’s reading though slightly undercutting market expectations.
 - Core PCE also came in at 0.2% MoM, in line with expectations.

Inflation Reading	Headline MoM	Headline YoY	Core MoM	Core YoY
CPI July Data	0.2%	2.9%	0.2%	3.2%
PCE July Data	0.2%	2.5%	0.2%	2.6%
PPI July Data	0.1%	2.2%	0.0%	2.4%

- Real GDP growth for Q2 was revised higher to a 3.0% annual rate from a prior estimate of 2.8%.
 - Elements of GDP critical to stock market performance, consumer spending, private sector components, and corporate profits, improved solidly across the board.
- “Core” GDP, which focuses on sustainable growth drivers including consumer spending, business fixed investment, and home building, while excluding government purchases, inventories, and international trade, increased at an annualized 2.9% – again, higher than prior estimates.

How do PCE and GDP impact you?

- The latest PCE report, featuring the Federal Reserve’s (Fed’s) preferred inflation gauge, showed that prices – while still rising – have continued to moderate toward the central bank’s 2% target while wages increased at a faster, annualized pace than inflation.
- Stronger-than-expected GDP and a steady labor market (despite significant overreaction to minor and/or seasonal weakness last month) keep the Fed on track to cut rates in September.



A LOOK FORWARD¹

- Jobs, jobs, and more jobs will be the focus for investors in this shortened trading week following Labor Day.
- Job openings are released on Wednesday, the ADP employment follows on Thursday, and the U.S. employment report caps off a crucial week of data for the labor market.

How does labor market data impact you?

- Although it appears the Fed is squarely committed to cutting interest rates in just a few weeks’ time, a particularly strong week of data for the labor market may give some of the more hawkish FOMC members a moment’s pause ahead of their September decision.
- Chairman Powell has generally shown his hand and markets overwhelmingly expect rates to decline this month.



MARKET UPDATE²

Market Index Returns as of 8/30/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.27%	3.67%	19.53%	27.14%	9.38%	15.91%
NASDAQ	-0.91%	0.00%	18.57%	27.15%	5.93%	18.28%
Dow Jones Industrial Average	1.07%	6.64%	11.75%	22.06%	7.71%	11.80%
Russell Mid-Cap	0.34%	6.83%	12.14%	20.16%	3.51%	11.24%
Russell 2000 (Small Cap)	-0.01%	8.51%	10.39%	18.47%	0.60%	9.68%
MSCI EAFE (International)	0.60%	6.28%	11.96%	19.40%	4.13%	8.61%
MSCI Emerging Markets	-0.05%	1.92%	9.55%	15.07%	-3.06%	4.78%
Bloomberg Barclays US Agg Bond	-0.51%	3.81%	3.07%	7.30%	-2.11%	-0.04%
Bloomberg Barclays High Yield Corp.	0.20%	3.61%	6.29%	12.55%	2.55%	4.46%
Bloomberg Barclays Global Agg	-0.53%	5.19%	1.86%	6.90%	-4.17%	-1.37%



OBSERVATIONS

- Stocks were mixed in their performance across indices last week:
 - The Dow led the way (+1.07%), the S&P 500 barely eked out a positive week (+0.27%), and the NASDAQ pulled back almost a full percent as investors reassessed significant AI capex (-0.91%).
- Mid-cap stocks improved (+0.34%) while small-cap stocks declined marginally (-0.01%).
- Developed international stocks climbed more than half a percent (+0.60), but emerging markets pulled back a bit (-0.05%) from the previous week's solid performance.
- Both the US and the Global Aggregate Bond Indexes fell by more than half a percent (-0.51% and -0.53%, respectively), while lower quality credit turned in a positive week as exhibited by the High Yield Corporate Index which rose (+0.20%).



BY THE NUMBERS

- **NFL owners newly endorse private equity states of up to 10% in teams by league-approved firms:** EAGAN, Minn. (AP) — The booming business of the NFL will now be open for more business. League owners voted their carefully crafted approval of private equity in club ownership, putting in place a provisional new rule on Tuesday that lets certain firms buy up a stake of up to 10% in any of the 32 franchises that have soared in value over the past few decades like few other industries. At a special meeting in Minnesota, nine days before the regular-season opener, owners for the first time opened their teams to institutional investment after previously prohibiting it. Other major American sports leagues allow as much as 30% holdings by private equity firms, and it's also a common practice in international soccer. "It's an access to capital that has been [of] interest to us for a long time," Commissioner Roger Goodell said after the session at the Omni Viking Lakes Hotel, which sits across from the headquarters of the Minnesota Vikings. "I think it's an appropriate thing to give teams that liquidity to reinvest in the game and to their teams."³
- **Massive protests erupt in Israel to demand cease-fire after 6 hostages found dead in Gaza:** Thousands of angry and grieving Israelis surged into the streets Sunday night after six Hamas-held hostages were found dead in Gaza. They chanted "Now! Now!" as they demanded Israeli Prime Minister Benjamin Netanyahu reach a cease-fire with Hamas to bring the remaining captives home. The mass demonstration erupted after the Israeli military announced they had recovered the bodies in a tunnel under the Gaza city of Rafah on Saturday.⁴

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Job Openings - JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

US Employment Report (Nonfarm payrolls): This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 8/30/2024

² Data obtained from Morningstar as of 8/30/2024

³ [NFL owners endorse some private equity stakes of up to 10% in teams | AP News](#)

⁴ [Massive protests erupt in Israel to demand cease-fire after 6 hostages found dead in Gaza - CBS News](#)

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