

Primary Market Drivers

Inflation

Last week we received August's first batch of inflation data. CPI came in at +0.2% m/m, in line with expectations. The y/y figure was +2.5%, down 0.4% from last month's figure and below expectations for +2.6%. PPI followed suit at +0.2% m/m, in line with consensus. The y/y figure was +1.7%, down from +2.2% last month. We've been writing for several weeks that inflation has been subdued and its impact on market movement is now minimal. August's soft data only reinforces this sentiment as the Fed aims to cut rates next week. Core PCE will be released on September 27th, though don't expect any surprises. After fixating the market for nearly two full years, inflation is no longer a primary market driver. Expect a replacement in next week's Market Watch.

Fed Policy

The Fed will release its policy decision on Wednesday, September 18th. With inflation subdued, it is a foregone conclusion that the Fed will begin easing monetary policy. The big question is "by how much?" Proponents for a 50bps cut cite a broad-based economic slowdown, particularly a labor market that is arguably cooling too quickly. Perhaps a bit dramatic, but certainly not wrong. Odds continue to favor a 25bps cut, though those odds have fallen sharply in recent weeks. Currently, the CME FedWatch Tool estimates 25bps at 57% and 50bps at 43%. Either way, the market is now rather aggressively pricing in up to 150bps of cuts by year-end, so this factor may play into the market's reaction to the Fed's decision this Wednesday.

Economic Data & Seasonality

Last week's soft inflation data put the market at ease as equities staged a strong rebound from September's initial selloff. While all eyes will be on Wednesday's Fed policy decision, there is a lot of incoming economic data for investors to consider. This week's impactful reports include Retail Sales (9/17), Industrial Production & Capacity Utilization (9/17), NAHB Housing Market Index (9/17), Housing Starts & Building Permits (9/18), Philadelphia Fed Index (9/19), Existing Home Sales (9/19), and Leading Economic Indicators (9/19). While September is historically the weakest month of the year and traders did their very best to ramp up panic and volatility in the first week (on no news or viable reasons), the S&P 500 is rebounding and looks poised to challenge its 3-year September losing streak. We have stressed that seasonality trends exist and should be observed, but certainly are not a rule. There is a lot of month left, but a strong second half of the month would be very bullish as seasonality turns decidedly bullish in Q4.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 9/13/2024

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	18.99%
Dow Jones	DIA	11.22%
Large-Cap Growth	QQQ	16.42%
Large-Cap Value	IVE	12.75%
Mid Caps	MDY	10.09%
Small Caps	IWM	8.61%
International Equity		
Developed Intl	EFA	10.11%
Emerging Markets	EEM	7.25%
Fixed Income		
Core Bonds	AGG	5.04%
Corporate Bonds	LQD	5.36%
High Yield Bonds	HYG	7.19%
ST Treasuries	IEI	4.66%
LT Treasuries	TLT	4.24%
International Bonds	BNDX	3.41%



Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Economy Slowing	Fed Policy Decision (9/18)
Fed Rate Cuts Begin in September	Elevated Volatility	Retail Sales (9/17)
Strong Earnings Growth	Negative Seasonality	Philly Fed Index & LEIs (9/19)
Long-Term Bull Market	Rates are Falling But Remain Elevated	Bevy of Housing Data
Positive Slope for Yield Curve	Election Season	September Seasonality
Broad Market Rally	Second Trump Assassination Attempt	

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