

## Primary Market Drivers

### Inflation

July Core PCE came in at expectations m/m with a gain of +0.2%, though the y/y figure was slightly below expectations at +2.6% (vs. +2.7%). The most recent inflation data point is further evidence that the war on inflation that started years ago is nearing its conclusion. Powell's recent speech at Jackson Hole indicated that the Fed has shifted its attention away from worrying about inflation and towards policy response and the health of the economy. Inflation's status as a primary market driver is fading as the Fed gains confidence that it does not pose serious upside risk and is on its way back to the stated 2% long-term target. August inflation data points are on tap next week with CPI (9/11) and PPI (9/12).

### Fed Policy

No change from last week aside from rate cut probability updates. At the recent Jackson Hole Economic Symposium, Jerome Powell noted that "the upside risks to inflation have diminished. And the downside risks to employment have increased." He also noted that "confidence has grown that inflation is on a sustainable path back to 2%." The speech was particularly dovish, a stark contrast to the rhetoric of the last few years, indicating that the Fed pivot is finally here. While a September rate cut is a foregone conclusion, the size is still being debated. Current odds per CME's FedWatch Tool are 30% for 50bps and 70% for 25bps. Powell was quick to reiterate that the Fed's timing and pace of rate cuts will remain data dependent, adding "we do not seek or welcome further cooling in labor market conditions." The Fed's next policy decision is set for 9/18.

### Economic Data & Earnings

Last week brought more convincing data that the economy is doing just fine, for now. Durable Goods Orders, Consumer Confidence, US Q2 GDP, Core PCE (y/y), Personal Spending and Income, and Michigan Consumer Sentiment all came in above expectations. This week's shortened schedule brings some significant data with PMI Manufacturing (9/3), Construction Spending (9/3), ISM Manufacturing (9/3), JOLTS (9/4), Factory Orders (9/5), ADP Employment (9/5), Productivity & Labor Costs (9/5), PMI Services (9/5), ISMI Non-Manufacturing (9/5), and Nonfarm Payrolls (9/6). The labor data (JOLTS, ADP, nonfarm payrolls) will be heavily scrutinized after Powell stated at Jackson Hole that the Fed does not want to see any further labor market cooling. Earnings season is mostly over, though a few important releases are slated for this week, including Dollar Tree (9/4), Hewlett Packard Enterprise (9/4), Broadcom (9/5), and Kroger (9/6).

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 8/30/2024

Category	Ticker	YTD%
<b>Domestic Equity</b>		
S&P 500	SPY	19.35%
Dow Jones	DIA	11.56%
Large-Cap Growth	QQQ	16.64%
Large-Cap Value	IVE	13.90%
Mid Caps	MDY	12.04%
Small Caps	IWM	10.23%
<b>International Equity</b>		
Developed Intl	EFA	12.07%
Emerging Markets	EEM	8.61%
<b>Fixed Income</b>		
Core Bonds	AGG	3.18%
Corporate Bonds	LQD	3.12%
High Yield Bonds	HYG	6.29%
ST Treasuries	IEI	3.19%
LT Treasuries	TLT	-0.15%
International Bonds	BNDX	2.13%



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	Nonfarm Payrolls (9/6)
Fed Rate Cuts Begin in September	Rising Unemployment	JOLTS, ADP Employment
Strong Earnings Growth	Elevated Volatility	ISM / PMI Manufacturing & Services
Long-Term Bull Market	Negative Seasonality	Earnings: DLTR, HPE, AVGO, KR
Yield Curve Flattening	Rates are Falling But Remain Elevated	Monitoring September Seasonality
Broad Market Rally	Geopolitics	Shortened Trading Week

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