

Primary Market Drivers

Inflation

Inflation has taken a backseat to the economy and earnings following agreeable June inflation data. That could all change this week as we get July PPI on Tuesday (8/13) and CPI on Wednesday (8/14). Investors are looking for a continuation of muted or softer than expected readings in anticipation of Fed policy action in September. Current expectations are set at +0.2% monthly increases for both PPI and CPI. Rumors have also begun swirling over a possible surprise Fed cut before September's meeting, though they firmly remain rumors following a rebound in economic data and equities last week. We will be closely watching this week's inflation data and do not expect any major surprises.

Fed Policy

The Fed held rates steady at its meeting last week, which was widely expected. However, by the end of the week, that decision was lamented as a missed opportunity as soft economic data continued to pour in. All eyes now turn to September, where the question is not if the Fed will slash rates, but by how much. Current odds are split, showing a 52.5% probability of a 25bps cut, and a 47.5% probability of a 50bps cut. Given the recent, extreme shift in sentiment spurred by weak labor market data, it is no surprise that a 50bps cut is officially on the table. This week's July PPI and CPI data will likely have a strong impact on those expectations.

Economic Data & Earnings

Two weeks ago markets were plunging following a string of weaker-than-expected economic reports, particularly focused on a surprising drop-off in the labor market. Last week, the narrative that the economy was tanking was flipped with better-than-expected PMI Services, ISM Non-Manufacturing, and Weekly Jobless Claims. This week's economic calendar is busy and impactful, and we expect the data to drive the market action. We get July PPI (8/13), NFIB Small Business Activity (8/13), July CPI (8/14), Empire Manufacturing (8/15), Philadelphia Fed Index (8/15), Retail Sales (8/15), Industrial Production & Capacity Utilization (8/15), NAHB Housing Market Index (8/15), Building Permits & Housing Starts (8/16), and Michigan Consumer Sentiment (8/16). Earnings season slows down considerably this week, with only eight S&P 500 companies reporting. Despite the low quantity, we will see announcements from big names like Home Depot (8/13), Cardinal Health (8/14), Cisco Systems (8/14), Deere & Co (8/15), Walmart (8/15), and Applied Materials (8/15), so expect earnings to remain in focus this week.

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 8/9/2024

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	12.85%
Dow Jones	DIA	5.83%
Large-Cap Growth	QQQ	10.31%
Large-Cap Value	IVE	7.80%
Mid Caps	MDY	6.26%
Small Caps	IWM	3.41%
International Equity		
Developed Intl	EFA	4.51%
Emerging Markets	EEM	5.33%
Fixed Income		
Core Bonds	AGG	2.46%
Corporate Bonds	LQD	1.73%
High Yield Bonds	HYG	4.45%
ST Treasuries	IEI	2.73%
LT Treasuries	TLT	-0.38%
International Bonds	BNDX	2.09%



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	Economic Slowdown	July PPI (8/13) & CPI (8/14)
Fed Pause / QT Taper	Core Inflation Stubborn	Earnings: HD, CSCO, DE, WMT, AMAT
Strong Earnings Growth	Elevated Volatility	Retail Sales (8/15) & Manufacturing Data
Long-Term Bull Market	Rising Unemployment	Yen Carry Trade Unwind - Is it Over?
Interest Rates Falling	Negative Seasonality	Are Short-Term Headwinds Resolved?
Short-Term Rebound for Large-Caps	Short-Term Correction	SMid Rotation Trade Called Off

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