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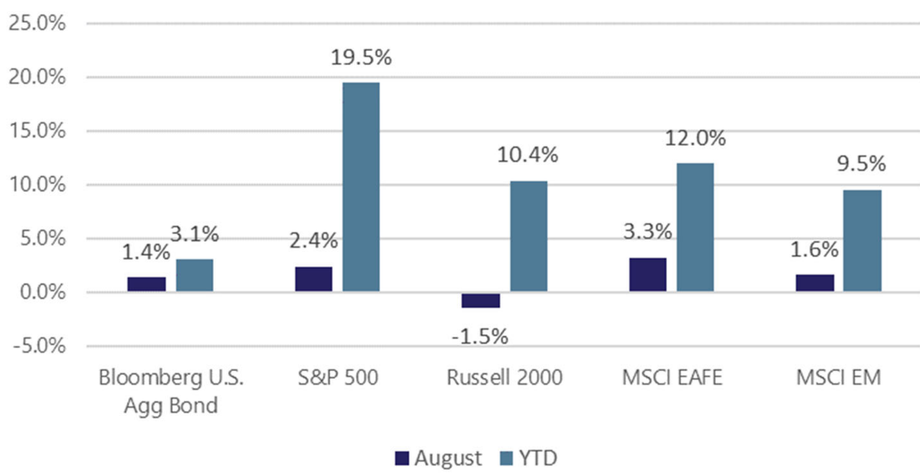
Performance

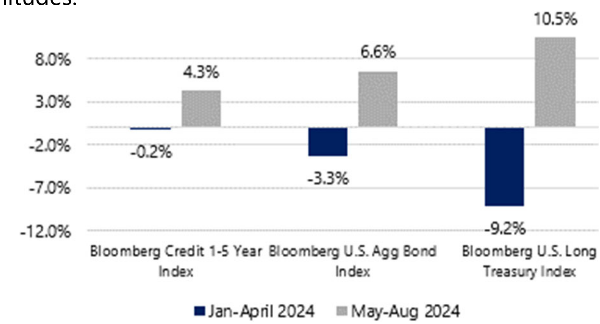


Market Review

- August started off in rough fashion for investors. After the first three days of the month, equities were down sharply, with the S&P 500 Index down 6% and the Russell 2000 Index down 9.5%. A weak July jobs report and a rapid unwinding of the Yen carry trade, where investors borrow in Yen and buy higher yielding assets, helped to spark the selling.
- However, markets quickly found their footing and trended higher from there, with the S&P 500 finishing the month in the black while the Russell 2000 made a run but fell just short of breaking even.
- Markets are currently focused on the economy, as there has been some conflicting indicators, with the jobs market showing weakness while other measures, such as consumer spending, holding up well. The strength in markets after August 5th was buoyed by good economic data, including inflation measures coming in soft, consumer spending numbers coming in strong, and 2nd quarter GDP growth being revised higher.
- Foreign developed equities had solid returns for the month, even though they fell more than the S&P 500 Index through August 5th. Foreign equities were buoyed by a sharply falling U.S. Dollar, which fell 2.3% for the month.
- Bonds performed well, especially during the early month equity weakness, providing a ballast to diversified portfolios. Both the two and ten-year Treasury yields fell sharply for the month, with each ending at 3.91%.

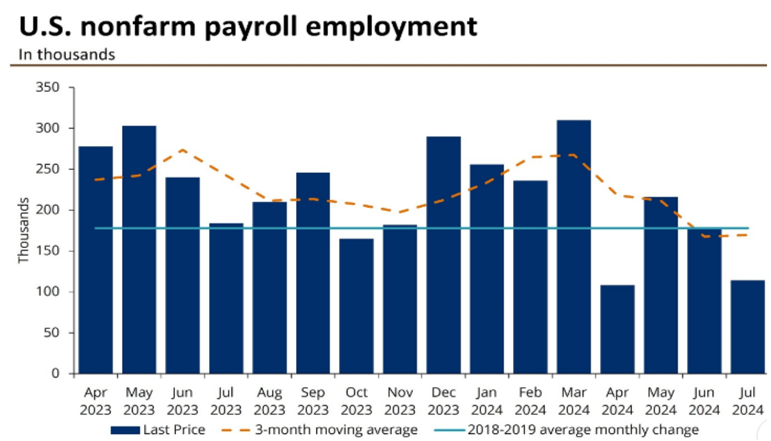
Bonds Are Making a Comeback

In rapidly changing yield environments, duration has the most effect on bond returns. Lower duration bonds have a lower sensitivity to yield movements while the opposite is true for higher duration bonds. This is clear to see if you look at returns for bonds in the first four months of the year and then the last four months. Yields generally trended higher through April 30th but have generally declined since. This environment has produced some drastic bond returns. Please note that interest rates at different maturities can move in different directions and/or magnitudes.



It's All About the Jobs Market[1]

The U.S. jobs market is the main concern for investors right now. The Fed appears to have brought inflation back down to manageable levels, but the jobs market is showing some cracks. This is important to markets, as when consumers feel secure with their job, they will continue to spend, which keeps the economy humming. When there is uncertainty, it can cause spending to dry up, potentially slowing the economy down. You can clearly see below that there has been a slowdown in the last four months.



1 Courtesy of JP Morgan. https://www.jpmorgan.com/insights/outlook/economic-outlook/jobs-report-july-2024
