

Market Update – September 9, 2024

The Weekly Briefing

The S&P 500 fell -4% last week, its worst week since the regional banking failures in March 2023. Tech, and specifically semiconductors, led the declines. The Nasdaq 100 fell -6% and the Philadelphia Semiconductor Index fell -12%, the worst week for semis since the lows of March 2020. It is difficult to point to one specific reason for the declines in equities; calendar-related rebalancing, negative single-stock catalysts, and muted macroeconomic data can all be cited as reasons.

Yields also declined meaningfully. The 10yr treasury yield fell 18 basis points to end the week at 3.71% and the 2yr yield fell 25 basis points to 3.66%, as the market prices the path of Fed policy. The 2yr-10yr yield spread, a recessionary signal watched by economists, normalized after nearly 800 days of inversion – the longest period ever. Inversion is defined as when the yield on a shorter-term bond (2yr) is higher than the yield on the longer-term bond (10yr). This phenomenon generally occurs because 1) the Fed is raising short-term rates – pushing short-dated yields higher and 2) markets are pricing in lower long-term growth and inflation due to restrictive monetary policy – bringing long-dated yields down. Curve inversion historically occurs months before recession; normalization generally occurs near the onset of a recession. The signal from the yield curve is worrisome, but its predictive power is not absolute. While we are always wary to say that this time is different, a once-in-a-lifetime pandemic and an unprecedented fiscal and monetary response may have distorted historical signals. However, economic warning lights are flashing and the Fed must be attentive to the health of the economy.

A number of individual stocks were brutally punished following disappointing earnings this week. Dollar Tree declined more than 20% as the company reported soft results and lowered guidance. The company cited meaningful weakness in the low-end consumer. Broadcom fell 10% despite a strong quarter as the semiconductor company's revenue guidance disappointed investors.

On the economic front, job openings and payroll adds disappointed. Job openings posted by companies in July unexpectedly declined from June's level. The number of job openings has been steadily declining since it peaked in early 2022 and is almost back to pre-pandemic levels. Nonfarm payroll adds came in slightly lower than expected, and prior month gains were revised lower. Although this week's employment data disappointed, the magnitude of the miss was likely too small to force a 50-basis point cut at the Fed's upcoming meeting.

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
ORCL	GME	CPI	Jobless Claims PPI	Consumer Sentiment
			ADBE KR RH	

Market Snapshot

	Last Week	YTD	1yr
S&P 500	-4.2%	14.5%	23.1%
DJIA	-2.9%	8.5%	18.9%
Nasdaq 100	-5.9%	10.1%	21.6%
Russell 2000	-5.7%	4.1%	14.6%
S&P 500 E/W	-3.1%	9.0%	17.6%
2yr Yield	3.65%	-0.60%	-1.34%
10yr Yield	3.71%	-0.17%	-0.56%
VIX	22.4	9.9	8.5
WTI Crude	\$67.7	-5.6%	-22.7%
Gold	\$2,498	21.1%	29.9%
Bitcoin	\$52,856	26.0%	104.4%

Economic Summary

	Actual	Expected	Prior (r)
ISM Manuf. PMI	47.9	48.0	48.0
Job Openings	7,673k	8,100k	7,910K
Initial Jobless Claims	227k	230k	232k
Continuing Claims	1,838k	1,867k	1,860k
ISM Non-Manuf. PMI	55.7	55.1	55.2
Nonfarm Payrolls	142k	165k	89k
Unemployment Rate	4.2%	4.2%	4.3%
Avg Hrly Earnings - m/m	0.4%	0.3%	0.3%
Avg Hrly Earnings - y/y	3.8%	3.7%	3.6%

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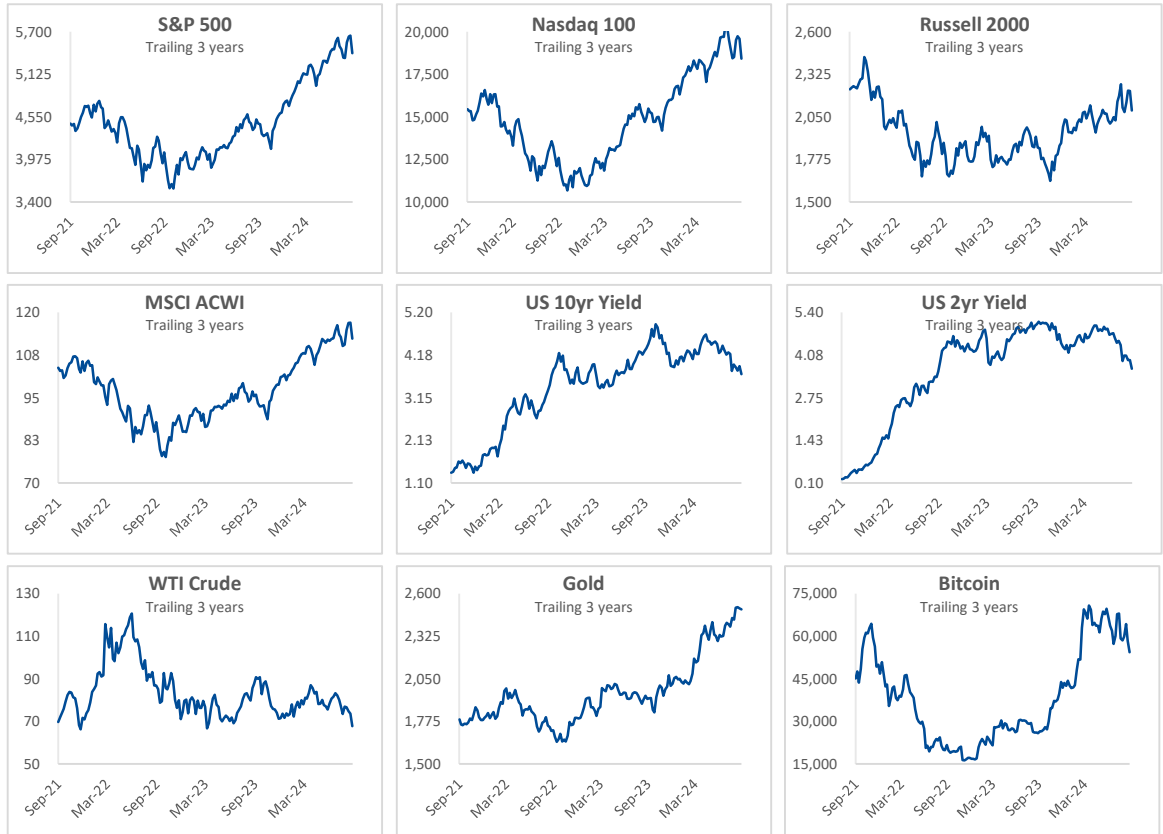
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WEALTH MANAGEMENT

Markets Monitor



S&P 500 Sector Heatmap Total Return YTD

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
14.5%	15.9%	2.4%	16.9%
Energy	Financials	Healthcare	Industrials
4.2%	18.7%	13.7%	11.2%
Materials	Real Estate	Technology	Utilities
6.0%	10.8%	6.3%	21.8%



WEALTH MANAGEMENT

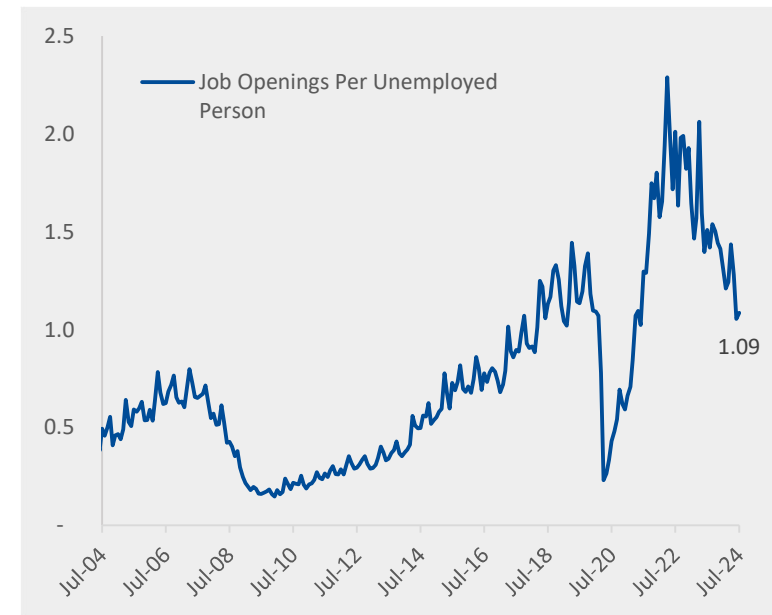
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
3-Sep	ZS	Beat	Beat	-18.7%
4-Sep	CPRT	Miss	Miss	-6.7%
	HPE	Beat	Beat	-6.0%
	DKS	Beat	Beat	-4.9%
	DLTR	Miss	Miss	-22.2%
5-Sep	AVGO	Beat	Beat	-10.4%
	IOT	Beat	Beat	13.6%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	-3.6%	11.7%	20.3%
MSCI Europe	-3.1%	8.8%	18.3%
MSCI APAC	-1.9%	9.2%	15.6%
DXY Index	101.2	-0.1%	-3.7%
EUR / USD	\$1.11	-0.6%	1.8%
GBP / USD	\$1.31	3.2%	5.0%
USD / JPY	142.5	1.0%	-2.8%
USD / CNY	7.10	0.0%	-3.0%

The Number of Job Openings per Unemployed Person has Reverted Back to Pre-Pandemic Levels



Sources: Bureau of Labor Statistics, FRED, Sunflower Bank, Logia Portfolio Management.

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