

Market Update – August 12, 2024

The Weekly Briefing:

Investor focus has drastically shifted from inflation to the other side of the Fed's dual mandate, employment. U.S. markets declined significantly to open last week as investors' concerns around weakening job market data portending a recession carried over from the previous Friday. Those fears were exacerbated as the Nikkei 225 suffered the worst decline since October 1987 (Black Monday), falling 12.4% in one day. The VIX saw one of the largest 1-Day spikes on record. The S&P 500 closed 3% lower on Monday, while the Russell 2000 fell 3.2%.

The week prior, Japan shocked the market with a 25-basis point rate hike that strengthened the yen and led to a partial unwind of a crowded carry trade (borrow in yen at Japan's low interest rates and invest the proceeds in higher yielding assets or currencies) and forced rapid selling of global assets as margin calls increased. As Japan continues to struggle unwinding a near decade long negative policy rate intended to battle crippling deflation, the U.S. faces the opposite problem. After a historically rapid hiking cycle, the Fed needs to lower the U.S. policy rate at a pace that staves off a potential recession while not leading to a resurgence in inflation, as seen during the 1970s.

Monday's selloff was short lived. Throughout the remainder of the week the U.S. and global markets clawed back most of Monday's severe losses. In a light week for economic data and high-profile earnings reports, U.S. investors looked to initial jobless claims to provide a real time gauge for a job market perceived to be dramatically weakening. Weekly claims came in 8k lower than expected and provided respite for investors' mounting concerns. In the wake of the report, the S&P 500 returned 2.3%, the best one-day return for the index since November 2022. Bond yields also reversed course after [plummeting](#) the week prior. The two-year and ten-year yields increased by 17 and 15 basis points during the week, respectively. Market expectations for the pace of expected Fed rate cuts have also been volatile. At the end of last week, futures pricing implied 50/50 odds as to whether one or two rate cuts will be initiated at the September FOMC meeting. Just a week prior, two cuts were priced in at a 75% probability. Investors are certain that rate cuts are imminent, but narratives have changed fast during this cycle. Just several months ago expectations for one or no rate cuts in 2024 gained prevalence as disappointing CPI data was the central focus of investors' concerns.

This recent bout of uncertainty reinforces the importance of a diversified portfolio and a long-term, goals-based planning approach that helps smooth out these periods of heightened volatility.

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
	PPI	CPI	Retail Sales	Housing Starts
	HD	CSCO	Jobless Claims	Consumer Sentiment
			Industrial Production	
			WMT	
			AMAT	

Market Snapshot

	Last Week	YTD	1yr
S&P 500	-0.2%	13.0%	21.5%
DJIA	-0.6%	5.9%	14.2%
Nasdaq 100	0.4%	11.2%	24.9%
Russell 2000	-1.3%	3.5%	9.7%
S&P 500 E/W	-0.9%	6.6%	12.2%
2yr Yield	4.05%	-0.20%	-0.75%
10yr Yield	3.94%	0.06%	-0.07%
VIX	20.4	7.9	4.4
WTI Crude	\$76.8	7.2%	-9.0%
Gold	\$2,431	17.9%	27.0%
Bitcoin	\$60,131	43.4%	104.4%

Economic Summary

	Actual	Expected	Prior (r)
Services PMI	55.0	56.0	55.3
Initial Jobless Claims	233k	241k	250k
Continuing Claims	1,875k	1,870k	1,869k
Consumer Credit	8.93B	9.8B	13.95B

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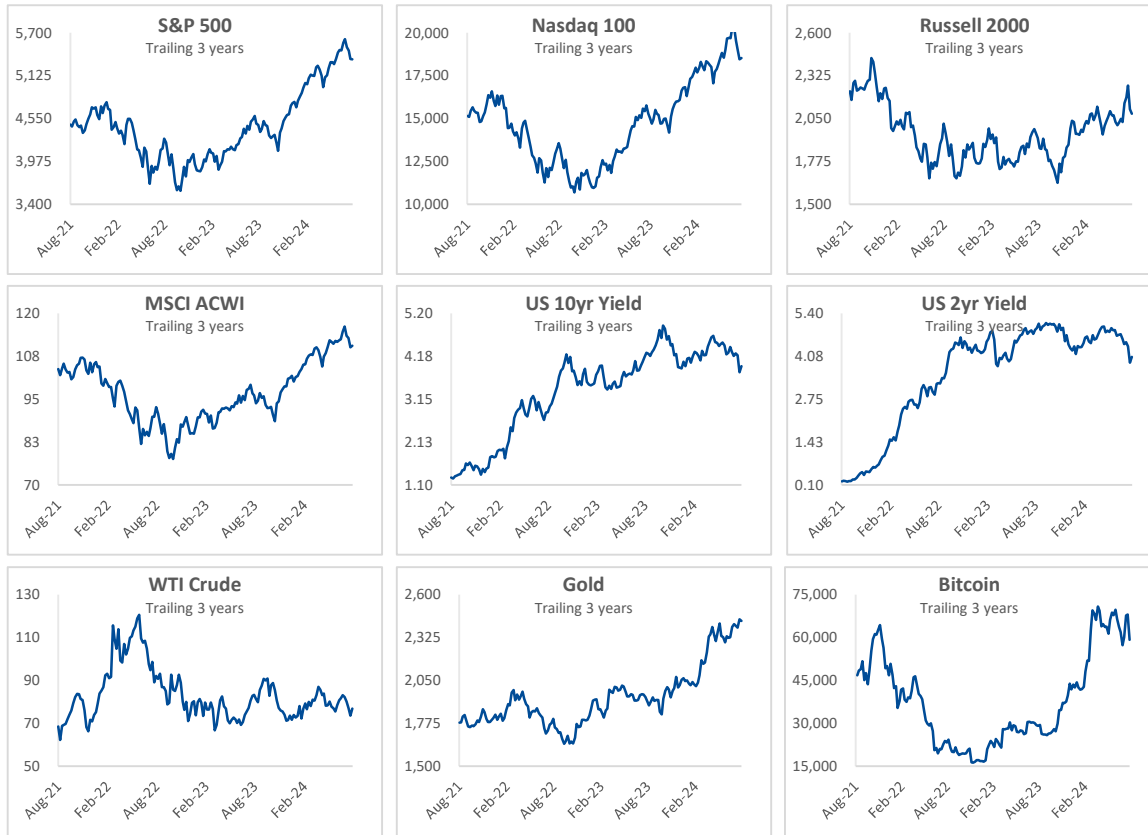
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WEALTH MANAGEMENT

Markets Monitor



S&P 500 Sector Heatmap Total Return YTD

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
13.0%	17.9%	-2.1%	11.5%
Energy	Financials	Healthcare	Industrials
8.3%	13.6%	10.8%	9.7%
Materials	Real Estate	Technology	Utilities
4.4%	6.1%	7.2%	18.1%

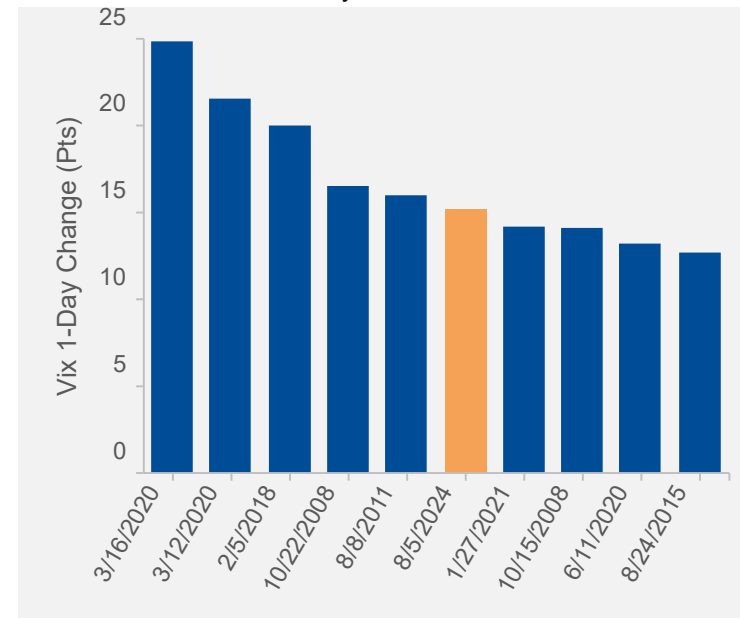
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
6-Aug	ABNB	Miss	Beat	-13.4%
	AMGN	Miss	Beat	-5.0%
	CAT	Beat	Miss	3.0%
7-Aug	UBER	Beat	Beat	10.9%
	DIS	Beat	Beat	-4.5%
	NVO	Miss	Miss	-8.4%
8-Aug	GILD	Beat	Beat	-2.8%
	LLY	Beat	Beat	9.5%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	0.2%	8.6%	15.8%
MSCI Europe	0.4%	4.5%	9.9%
MSCI APAC	-0.8%	3.5%	7.3%
DXY Index	103.2	1.9%	0.7%
EUR / USD	\$1.09	-2.0%	-2.2%
GBP / USD	\$1.28	0.2%	0.3%
USD / JPY	146.6	3.9%	2.0%
USD / CNY	7.17	1.0%	-0.6%

Monday's spike in the Vix was one of the largest non-Covid/ Great Financial Crisis 1-Day increases.



Sources: Bloomberg, Logia Portfolio Management, Sunflower Bank.



WEALTH MANAGEMENT

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