

Weekly Market Recap

August 12, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	5,344	0.0%	12.0%
Dow Jones Industrial Average	39,498	-0.6%	4.8%
NASDAQ	16,745	-0.2%	11.6%
Russell 2000 [®] Index	2,081	-1.4%	2.7%
MSCI EAFE Index	2,264	-1.2%	1.2%
Ten-Year Treasury Yield	3.94%	0.1%	0.1%
Oil WTI ¹ (\$/bbl ²)	\$77.08	4.8%	7.6%
Bonds ³	\$99.53	-0.8%	2.0%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

U.S. Equity Market

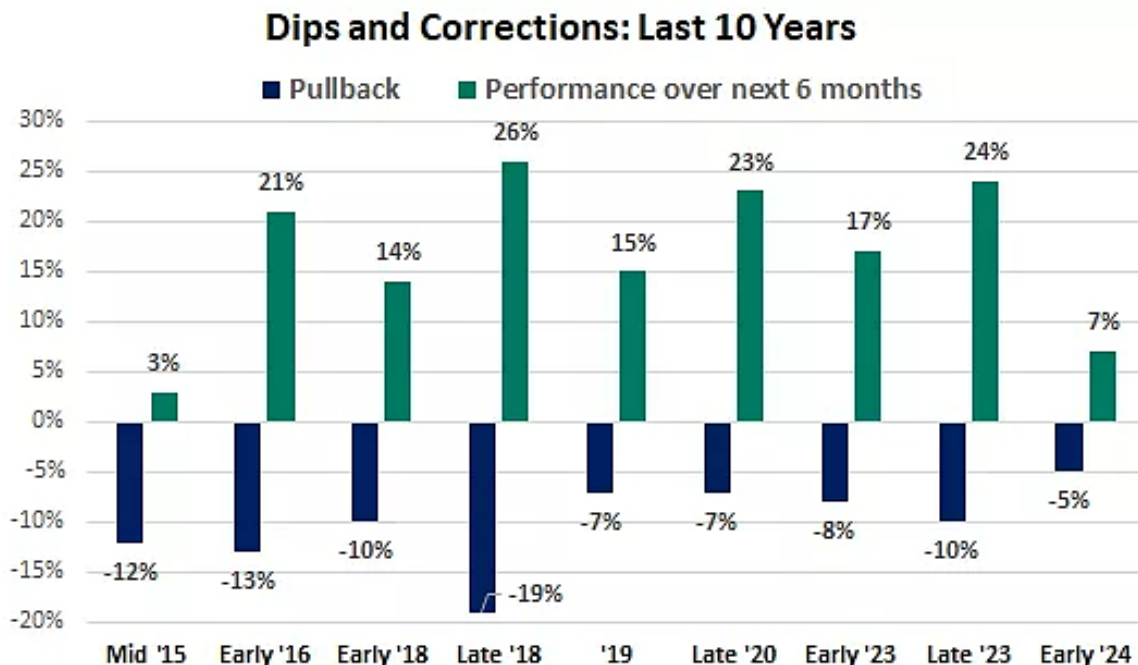
- U.S. large-cap equities (S&P 500 Index) finished flat for the week after a -3.0% drop on Monday (the worst daily decline since September 2022) as investor sentiment appeared to improve throughout the week, with the Chicago Board Options Exchange Volatility Index (VIX) falling from a high of 66 to finish the week near 21. Investor concerns of a possible recession and the Federal Reserve (Fed) waiting too long to cut rates were partially offset by Thursday's initial jobless claims, which were below analyst expectations and showed a decline from last week's unexpected rise. July's Institute of Supply Management (ISM) Services report also came in ahead of analyst expectations, which featured gains for both new orders and employment components. Fed funds futures markets are pricing in a 50-50 probability that the Fed will cut rates by 0.50% at their September meeting. The 10-year Treasury yield rose to 3.94% from 3.80%. The dollar index was little changed, gold was up +0.1%, and WTI crude rose +4.8%.
- S&P 500 Index Sector Returns:
 - Industrials (+1.2%) rose, led by airlines, aerospace and defense, and transports.
 - Energy (+1.2%) rose, as the price of WTI rose +4.8%.
 - Communication services (+0.8%) rose, led by streaming stocks.
 - Financials (+0.6%) rose, led by banks and asset managers.
 - Real estate (-0.2%) fell, led lower by cell towers.
 - Technology (-0.2%) fell, led lower by semiconductors.
 - Consumer staples (-0.3%), healthcare (-0.6%), and utilities (-0.9%) underperformed, as investors appeared to favor less-defensive sectors.
 - Consumer discretionary (-1.0%) fell, with weakness from travel stocks and home improvement retailers.
 - Materials (-1.7%) fell, led lower by precious metals miners and chemical companies.

- The -8.0% drop for the S&P 500 Index occurred quite quickly, but it started from an all-time high. Over the last 25 years, the S&P 500 has declined -5.0% or more about three times per year, thus the recent pullback is actually quite common.



Sources: Bloomberg L.P.; Edward Jones.

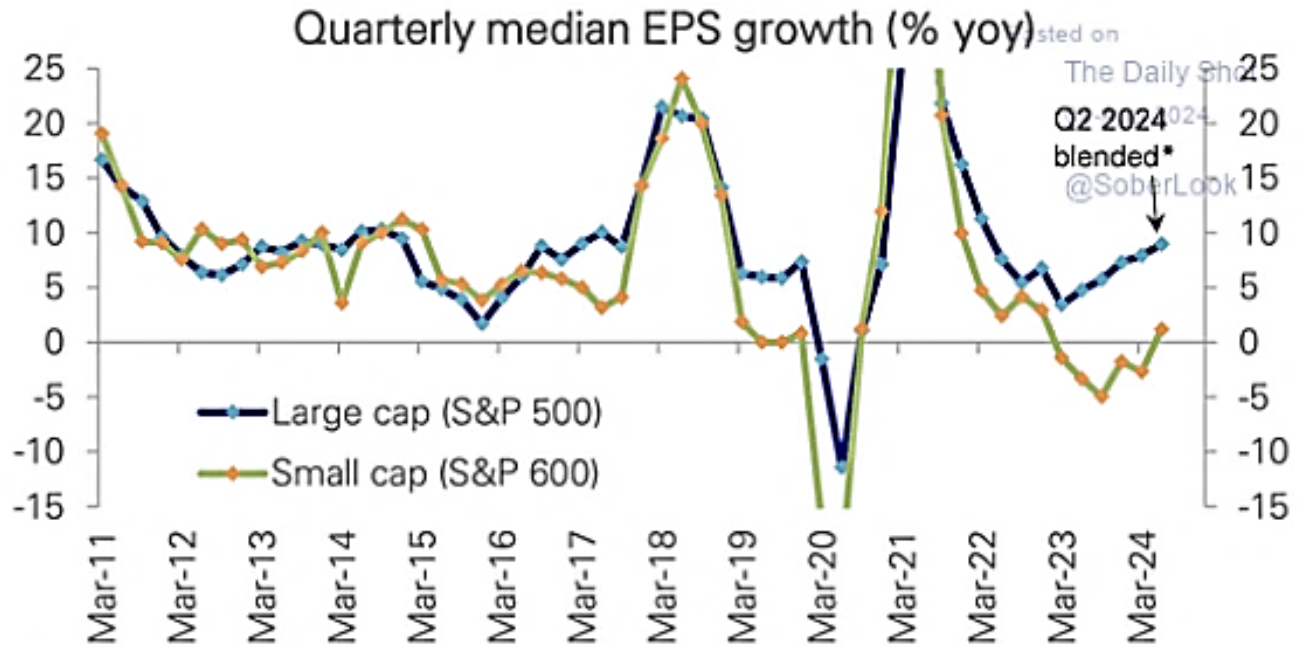
- In the past ten years, when the S&P 500 Index has a 10.0% correction, returns for U.S. equities appear quite attractive over the next six months.



Sources: Bloomberg L.P.; Edward Jones.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on pages 6-7.

- Earnings growth for the median S&P 600 small-cap company appears to be on track to turn positive for the first time in six quarters.



*Blended assumes companies that are to report beat at the current beat rate. EPS: earnings per share. Sources: Deutsche Bank; The Daily Shot.

- Morgan Stanley's Global Risk Demand Index (STGRDI) fell sharply into extreme "fear" territory on Wednesday last week.

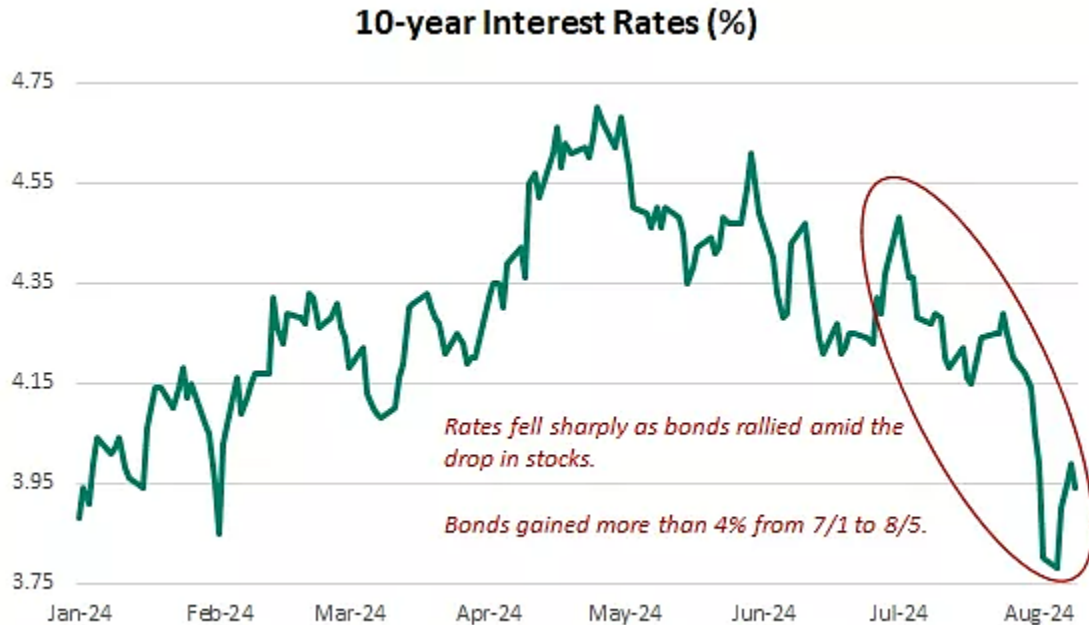
Exhibit 1: Morgan Stanley's Global Risk Demand Index has recently fallen sharply into extreme "fear" territory



Sources: Morgan Stanley Research; Bloomberg L.P.; The Daily Shot.

Fixed Income Markets

- Since the beginning of July, the U.S. 10-year Treasury yield fell sharply and bond prices rose +4.2%, potentially providing diversified investors with a cushion as equity prices fell rapidly over the same time period.

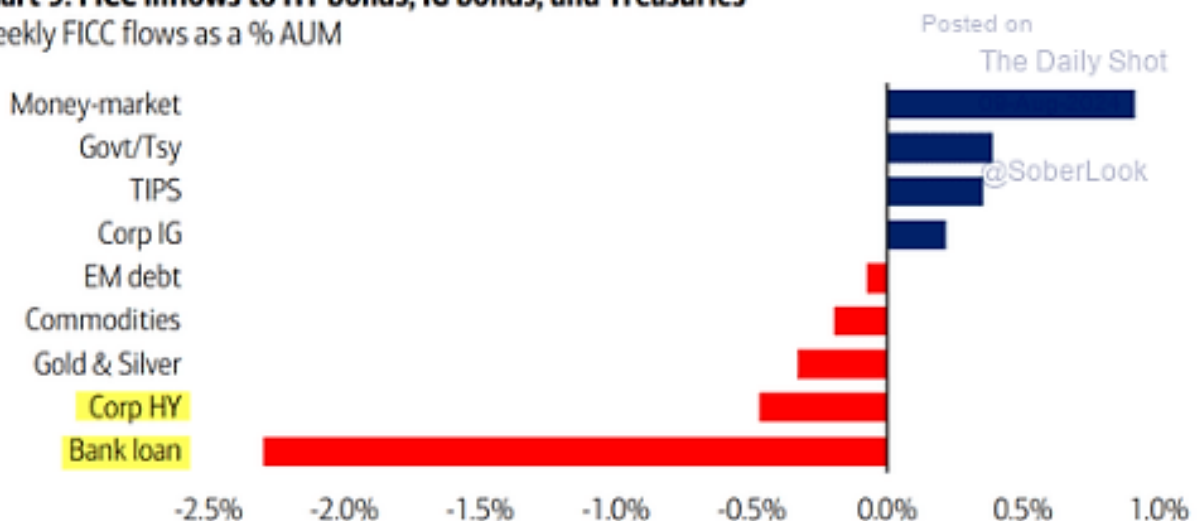


Sources: Bloomberg L.P.; June Federal Open Market Committee Summary of Economic Projections; Edward Jones.

- The risk-off sentiment likely contributed to a strong inflow into money market and government bonds and outflow in bank loans and high yield bonds.

Chart 9: FICC inflows to HY bonds, IG bonds, and Treasuries

Weekly FICC flows as a % AUM



AUM: assets under management. EM: emerging market. IG: investment grade. HY: high yield. FICC: Fixed Income Clearing Corporation. TIPS: treasury inflation-protected services. Sources: Bank of America; The Daily Shot.

U.S. Economic and Political News

- Chicago's Fed President Austan Goolsbee said in an interview that the Fed should not overreact to a single economic release but remain driven firmly by the totality of the data (though he also acknowledged the Fed is watching labor conditions).

International Markets and News

- European markets (STOXX 600 Index) finished up +0.3% for the week after downside volatility earlier in the week. Retail sales volumes in the eurozone unexpectedly declined -0.3% in June.
- The Chinese stock market (Shanghai Composite) fell -1.5% as China's Consumer Price Index (CPI) rose +0.5% year-over-year in July.
- Japanese equities (Nikkei 225 Index) started the week off with the largest one-day sell-off in decades, which was driven by a rebounding Japanese Yen on the back of the Bank of Japan's hawkish turn at its July meeting.

This Week:

- The volume of corporate earnings reports will remain elevated.
- Economic data:
 - Monday: Treasury Budget;
 - Tuesday: National Federation of Independent Business (NFIB) Small Business Index, Producer Price Index (PPI), Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, CPI, Hourly Earnings, Average Workweek, Department of Energy (DOE) Crude Inventories;
 - Thursday: Empire Manufacturing, Import/Export Prices, Philadelphia Fed Index, Retail Sales, Capacity Utilization, Industrial Production, Business Inventories, National Association of Home Builders (NAHB) Housing Market Index, Treasury International Capital (TIC) Flows, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories, Philly Fed President Speaking Event;
 - Friday: Housing Starts, Building Permits, Michigan Consumer Sentiment (Preliminary).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **Assets under management (AUM)**, also called funds under management, is the total market value of the securities a financial institution (such as a bank, mutual fund, or hedge fund) owns or manages on behalf of its clients. **The CBOE Volatility Index (VIX)** is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index (SPX). Because it is derived from the prices of SPX index options with near-term expiration dates, it generates a 30-day forward projection of volatility. **The Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. **Earnings per share (EPS)** is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned. It's calculated by dividing the company's net income by the total number of outstanding shares. **The eurozone**, officially known as the euro area, is a geographic and economic region that consists of all the European Union countries that have fully incorporated the euro as their national currency. **Fed funds futures** are financial futures contracts based on the federal funds rate and traded on the Chicago Mercantile Exchange (CME) operated by CME Group Inc. (CME). The federal funds rate is the rate banks charge each other for overnight loans of reserves on deposit with the Federal Reserve. An **inflation hawk**, also known in economic jargon as a hawk, is a policymaker or advisor who is predominantly concerned with the potential impact of interest rates as they relate to monetary policy. **The ISM Non-Manufacturing Index** is an index that measures the economic condition and performance of service-based companies. It is now called the Services Purchasing Managers' Index (PMI). The index is based on surveys sent to purchasing and supply companies of more than 400 services firms. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy. A **money market fund** is a kind of mutual fund that invests in highly liquid, near-term instruments. These instruments include cash, cash equivalent securities, and high-crediting, debt-based securities with a short-term maturity (such as U.S. Treasuries). **The Morgan Stanley Global Risk Demand Index** indicates that investors' risk appetite is very low, which can often be seen as a contrarian indicator, where extreme pessimism might signal a potential rebound in equity markets. **The National Association of Home Builders (NAHB) Housing Market Index (HMI)** rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders. A reading above 50 indicates a favorable outlook on home sales; below indicates a negative outlook. **The National Federation of Independent Business (NFIB) Small Business Optimism Index** is a composite of ten seasonally adjusted components. It provides an indication of the health of small businesses in the U.S., which account of roughly 50% of the nation's private workforce. **The Philadelphia Federal Index** (or Philly Fed Survey) is a regional federal-reserve-bank index measuring changes in business growth. It is also known as the "Manufacturing Business Outlook Survey." **The Producer Price Index (PPI)** measures the average change over time in the prices domestic producers receive for their output. It is a measure of inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category. (Technical definitions are sourced from Corporate Finance Institute.)

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