

# Weekly Market Recap

September 9, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 <sup>®</sup> Index	5,408	-4.2%	13.4%
Dow Jones Industrial Average	40,345	-2.9%	7.0%
NASDAQ	16,691	-5.8%	11.2%
Russell 2000 <sup>®</sup> Index	2,091	-5.7%	3.2%
MSCI EAFE Index	2,393	-2.5%	7.0%
Ten-Year Treasury Yield	3.72%	-0.2%	-0.2%
Oil WTI <sup>1</sup> (\$/bbl <sup>2</sup> )	\$68.18	-7.3%	-4.8%
Bonds <sup>3</sup>	\$101.19	0.9%	4.2%

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

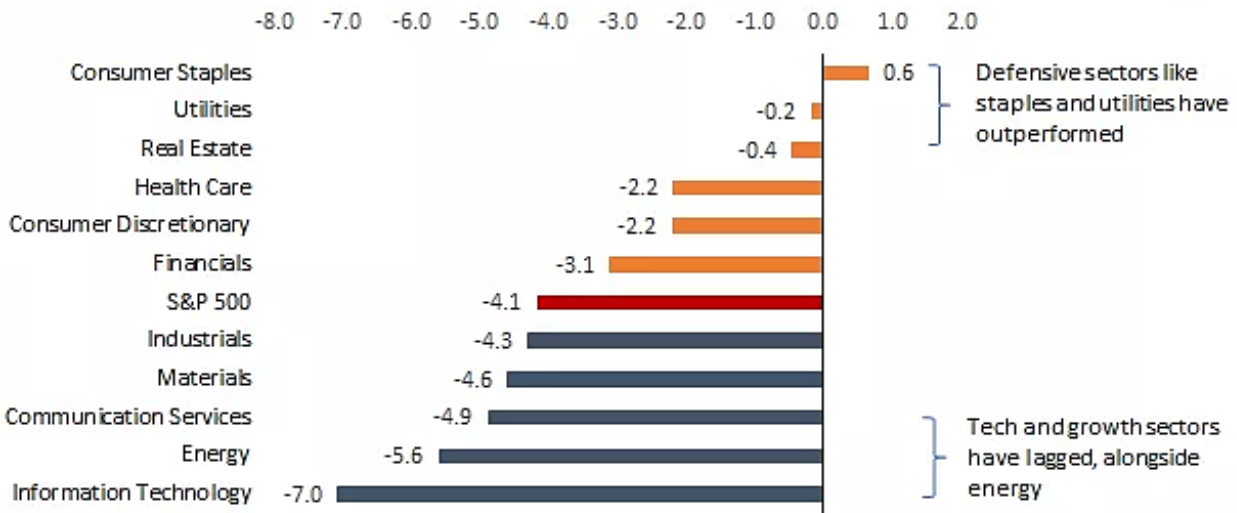
## Last Week:

### U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -4.2% on concerns of an economic slowdown and employment weakness as August payrolls of 142k were below analysts' expectations for 165k. July Job Openings and Labor Turnover Survey (JOLTS) job openings of 7.67MM were also below analysts' expectations of 8.1MM. N.Y. Federal Reserve (Fed) President John Williams said in a speech at the Council on Foreign Relations event that it is now appropriate to lower the fed funds rate given the risks of further economic weakness (including the job market), though the Fed can move toward a neutral rate over time depending on the economic data. Fed funds futures are pricing a near 100% chance that the Fed will cut rates by at least 0.25% and a ~30% chance the Fed will cut rates by 0.50% at the September 17<sup>th</sup> meeting. The 10-year Treasury yield fell to 3.72% from a 3.91% level. Gold fell -0.1% and WTI crude dropped -7.3%.
- S&P 500 Index Sector Returns:
  - Consumer staples (+0.6%), utilities (-0.5%), and healthcare (-2.1%) outperformed, as investors appeared to favor more-defensive sectors.
  - Real estate (+0.2%) rose, led by cell towers.
  - Consumer discretionary (-2.9%) fell, with weakness from apparel retailers and travel stocks.
  - Financials (-3.2%) fell, led lower by the banks.
  - Industrials (-4.4%) fell, led lower by machinery and logistics stocks.
  - Materials (-4.8%) fell, led lower by chemical companies.
  - Communication services (-5.1%) fell, led lower by internet search companies, social media, and streaming stocks.
  - Energy (-5.6%) fell, as the price of WTI dropped -7.3%.
  - Technology (-7.1%) underperformed, with weakness from semiconductor and software stocks.

- Thus far in September, the defensive sectors have outperformed, while the technology sector has performed the worst.

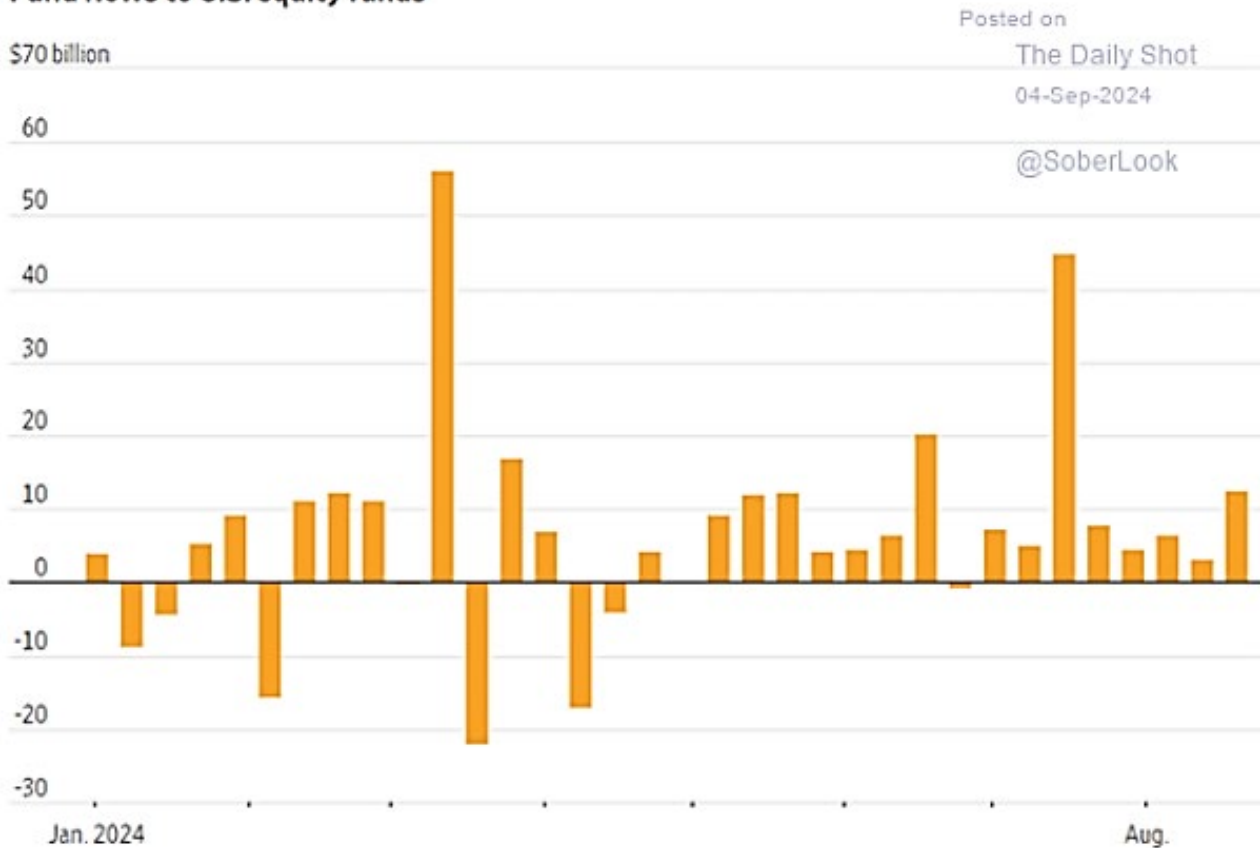
**S&P sector performance in September has been led by defensive sectors thus far (8/31/24 - 9/6/24, %)**



Sources: FactSet; Edward Jones.

- U.S. equity funds have experienced eight consecutive weeks of inflows.

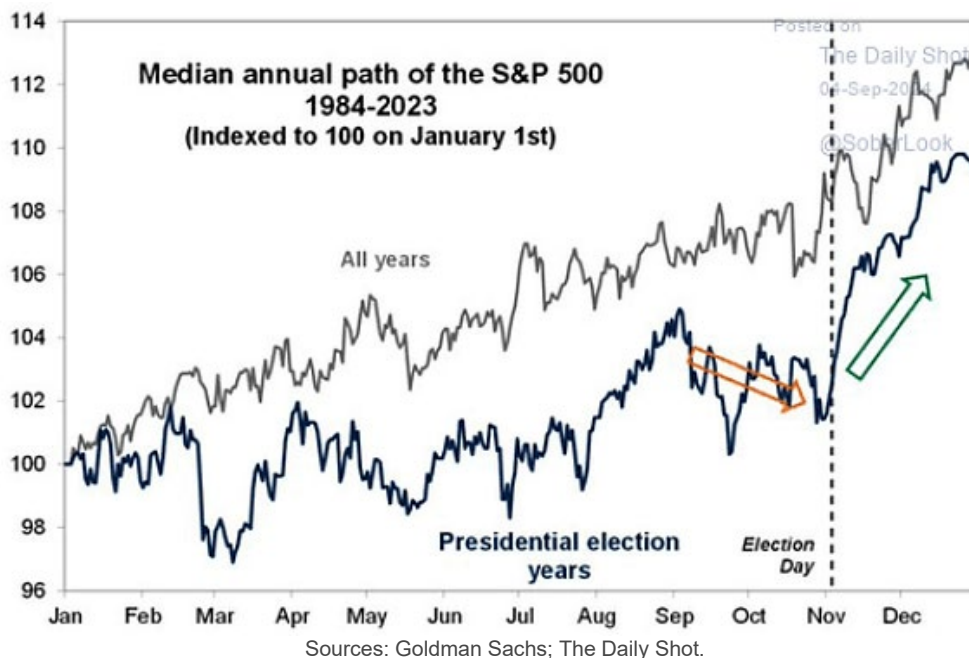
**Fund flows to U.S. equity funds**



Sources: EPFR; The Daily Shot.

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 page 6.

- Historically, in election years, U.S. equities stall before the election but tend to rally after the election.



- U.S. value stock continues to trade at a discount to growth stocks.



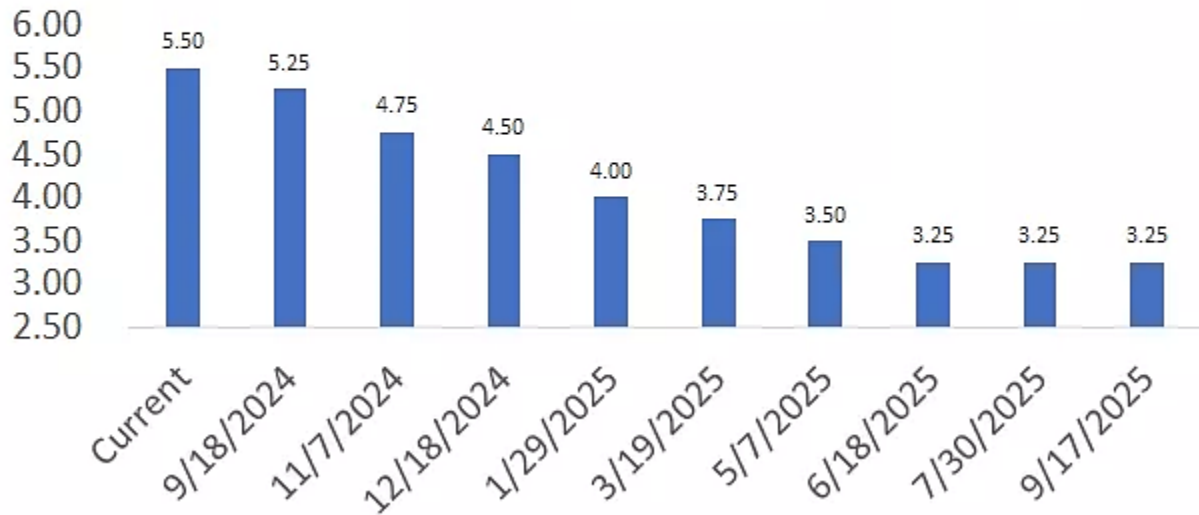
P/E: price-to-earnings ratio. Data as of 08.31.2024. \*Long-term averages are calculated monthly since December 1997. \*\*Dividend yield is calculated as the next 12-month consensus dividend by most recent price. Sources: JP Morgan; The Daily Shot.

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## Fixed Income Markets

- Futures markets expect the Fed will cut rates by 1.0% in 2024 and eventually bring rates down toward 3.0%.

Markets expect the Federal Reserve to cut interest rates by 1.0% this year, and bring rates down to a steady state of 3.0% - 3.25%



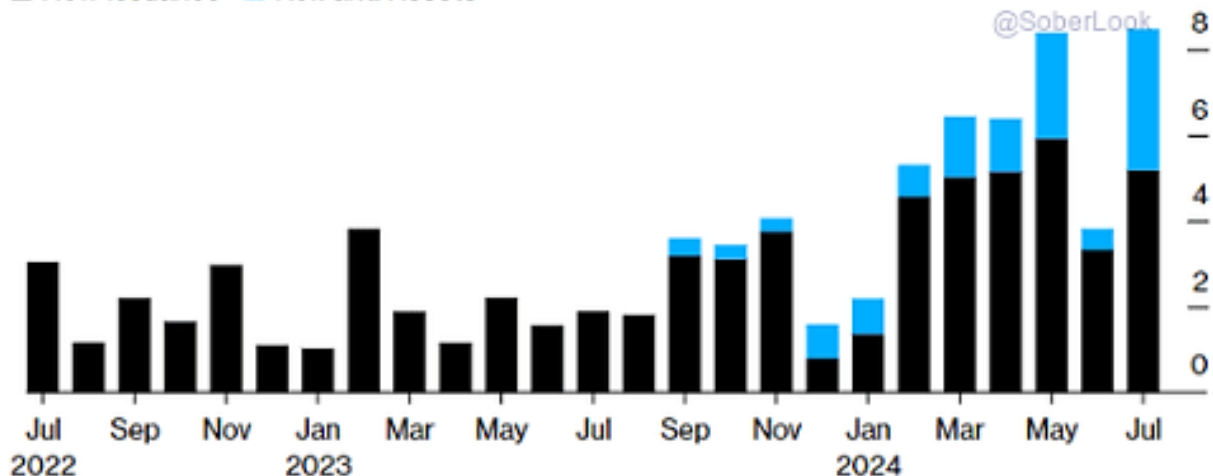
Sources: CME FedWatch; Edward Jones.

- Collateralized Loan Obligation (CLO) issuance has been quite strong in 2024.

## CLO Issuance Geared Up In 2024

Refinancing and resets ballooned after long lull

■ New Issuance ■ Refi and Resets



Y axis is billions of dollars of CLO new issuance/refinancing and resets. Sources: Bloomberg L.P.; The Daily Shot.

## U.S. Economic and Political News

- Tuesday's August Institute for Supply Management (ISM) Manufacturing Index was a bit better than analysts' expectations but remained in contraction territory.

## International Markets and News

- European markets (STOXX 600 Index) fell -3.5% as economic growth concerns increased, leading to the European Central Bank Governing Council member Gediminas Simkus stating in an interview with Econostream Media that he saw a clear case for an interest rate cut in September.
- The Chinese stock market (Shanghai Composite) fell -2.7% as China's Purchasing Managers' Index (PMI) fell to a lower-than-expected 49.1 in August from 49.4 in July as production and new order declines deepened.
- Japanese equities (Nikkei 225 Index) fell -5.8% along with global markets and Japanese exporters were under pressure as the Japanese Yen strengthened.

## This Week:

- The volume of corporate earnings reports will be moderate this week.
- Economic data:
  - Monday: Consumer Credit, Wholesale Inventories;
  - Tuesday: National Federation of Independent Business (NFIB) Small Business Optimism Index, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Consumer Price Index (CPI), Hourly Earnings/Workweek, Department of Energy (DOE) Crude Inventories;
  - Thursday: Producer Price Index (PPI), Weekly Jobless Claims, Treasury Budget, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Export Prices, Import Prices, Michigan Consumer Sentiment Index (Preliminary).

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

Whitney Stewart, CFA®  
Executive Director

Griffith Jones, Jr.  
Executive Director

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**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 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: A **collateralized loan obligation (CLO)** is a securitization product created to acquire and manage a pool of leveraged loans. CLOs issue multiple debt tranches along with equity and use the proceeds from the issuance to obtain a diverse pool of syndicated bank loans. The **Consumer Price Index** measures the overall change in consumer prices based on a representative basket of goods and services over time. **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. **The ISM Manufacturing Index**, also known as the purchasing managers' index (PMI), is a monthly economic indicator that gauges the health of the US manufacturing sector. The **job openings and labor turnover survey (JOLTS)** is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment. 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 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. **Price to earnings ratio**, or P/E, is a way to value a company by comparing the price of a stock to its earnings. A **payroll report** is a document created every pay period that displays specific financial information such as pay rates, hours worked and taxes withheld for the specific pay run. The P/E equals the price of a share of stock, divided by the company's earnings-per-share. It tells you how much you are paying for each dollar of earnings. PPI stands for **Producer Price Index**, which is a collection of indexes that measures the average change in prices paid to US producers of goods and services over time. The PPI is a measure of wholesale inflation, and is published monthly by the Bureau of Labor Statistics (BLS). The **Purchasing Managers' Index (PMI)** is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors. The indicator is compiled and released monthly by the Institute for Supply Management (ISM), a nonprofit supply management organization. (Technical definitions are sourced from Corporate Finance Institute.)

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