

Weekly Market Recap

The week in review

- Retail sales grew 0.1% m/m
- Housing starts increased 9.6% saar
- FOMC reduced fed funds rate to 4.75% - 5.00%

The week ahead

- Flash PMIs
- House price index
- 2Q24 GDP (final estimate)

Thought of the week

Last week, the Fed kicked off its much-anticipated easing cycle with a bold move. It cut the policy rate by a jumbo 50bps, surprising many who expected a more regular 25bps cut seen at the start of a soft-landing easing cycle. This move has left investors wondering about the rationale behind it and its implications for markets and the economy.

Despite strong economic indicators leading up to the FOMC meeting – including the Aug. retail sales report that beat expectations – the Fed chose to go big. Historically, the Fed has begun its easing cycle with an outsized cut when the economy faced an imminent downturn. Such a downturn, as shown in the chart of the week, is typically characterized by a sharp deterioration in real retail sales momentum, as seen in Jan. '01 and Sep. '07. However, with current sales momentum still solid, the outsized cut was atypical. In its defense, the Fed characterized this move as a “recalibration” of rates, emphasizing that it does not set the pace of future cuts.

Investors were worried that a 50bps reduction, in the absence of apparent economic concerns, may signal hidden economic weakness. However, Chair Powell’s repeated reassurances that the economy is still strong and that the jumbo cut is aimed to keep it that way seem to have eased those concerns.

While the dot plot suggests future cuts will likely be gradual, investors looking to diversify out of cash will find their window of opportunity shortened by this cut.

Please see important disclosures on next page.

Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	5703	1.39	4.76	20.78	31.45	37.13
Dow Jones 30	42063	1.67	8.04	13.21	24.57	31.65
Russell 2000	5537	2.10	9.10	11.00	24.91	6.60
Russell 1000 Growth	2479	1.63	2.31	23.48	37.87	36.16
Russell 1000 Value	1142	1.37	8.16	15.32	22.77	28.24
MSCI EAFE	2421	0.43	5.00	11.04	18.59	15.02
MSCI EM	1106	2.27	2.82	10.71	17.35	-3.48
NASDAQ	17948	1.51	1.39	20.21	34.27	24.94

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.17	-0.22	5.45	4.70	10.43	-4.90
U.S. Corporates	4.68	0.07	6.04	5.52	12.75	-4.74
Municipals (10yr)	3.08	0.14	2.53	0.91	6.10	-0.58
High Yield	7.21	0.82	5.13	7.84	14.54	9.27

Key Rates	Levels (%)					
	9/20/24	9/13/24	6/28/24	12/29/23	9/20/23	9/20/21
2-yr U.S. Treasuries	3.55	3.57	4.71	4.23	5.12	0.23
10-yr U.S. Treasuries	3.73	3.66	4.36	3.88	4.35	1.31
30-yr U.S. Treasuries	4.07	3.98	4.51	4.03	4.40	1.85
10-yr German Bund	2.22	2.15	2.47	2.00	2.71	-0.32
SOFR	4.82	5.33	5.33	5.38	5.30	0.05
3-mo. EURIBOR	3.44	3.47	3.71	3.91	3.93	-0.55
6-mo. CD rate	2.32	2.32	2.38	2.23	2.17	0.15
30-yr fixed mortgage	6.15	6.15	7.03	6.76	7.31	3.03
Prime Rate	8.50	8.50	8.50	8.50	8.50	3.25

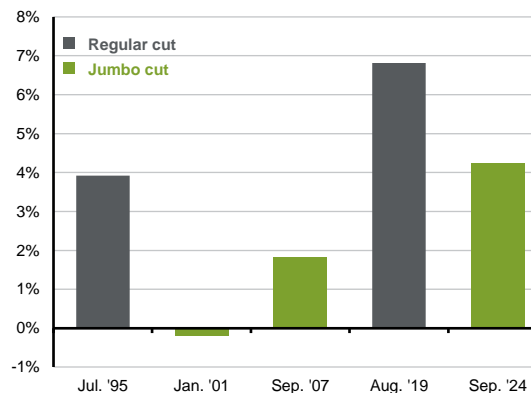
Index Characteristics	Levels			
	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
	21.34	4.73	1.24	47893
	18.99	5.00	1.68	14972
	24.66	1.90	1.29	2633
	28.54	12.13	0.54	27370
	16.54	2.63	1.98	24938
	13.80	1.82	2.75	17206
	12.02	1.67	2.14	7822
	27.21	6.31	0.66	29089

Currencies	Levels		
	9/20/24	12/29/23	9/20/23
\$ per €	1.11	1.10	1.07
\$ per £	1.33	1.27	1.24
¥ per \$	144.44	140.98	147.70

Commod.	Levels		
	9/20/24	12/29/23	9/20/23
Oil (WTI)	71.02	71.89	89.20
Gasoline	3.18	3.12	3.88
Natural Gas	2.44	2.58	2.73
Gold	2606	2078	1943
Silver	31.32	23.79	23.28
Copper	9395	8476	8277
Corn	3.72	4.59	4.70
BBG Idx	234.18	226.43	242.55

Chart of the Week

Real retail sales momentum at the start of Fed's easing cycle
3mma annualized, percent



Style Returns

	V	B	G
L	1.4	1.4	1.6
M	1.5	1.7	2.6
S	1.8	2.1	2.4

	V	B	G
L	15.3	20.8	23.5
M	13.6	13.3	12.1
S	9.2	11.0	12.9

S&P 500 Sector Returns

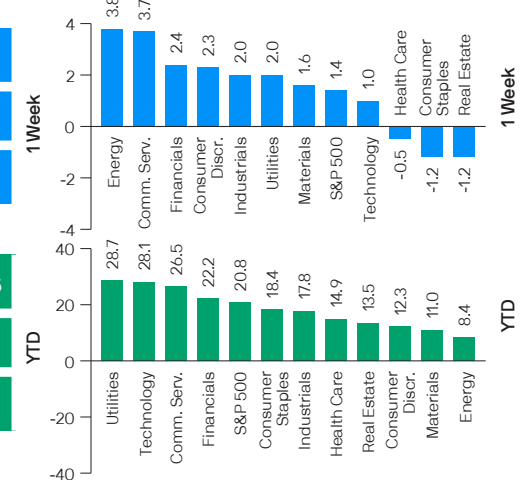




Chart of the Week: Source: Bloomberg, U.S. Census Bureau, J.P. Morgan Asset Management. Real retail sales momentum = nominal control group retail sales less core CPI.

Thought of the week: Source: Bloomberg, U.S. Census Bureau, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.); provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet; 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using

First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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