

# Monthly Market Perspectives

August 2023

## KEY INSIGHTS

- Stock prices took a breather in August after steadily climbing earlier this summer. Bonds also declined in price as stronger than expected economic data foreshadowed interest rates staying higher for longer.
- Employment remained strong and economic growth surprised to the upside. Inflation continued its downward trend, giving investors hope that the Federal Reserve may achieve a soft landing.

## WHAT TO WATCH

- Unemployment data 9/1
- ISM Services release 9/6
- CPI data release 9/13
- Federal Reserve Rate Decision 9/20

## ECONOMY

- The unemployment rate in the US decreased to 3.5% in July 2023, as the labor markets continued to demonstrate resiliency.
- The headline inflation rate (CPI) in the US ticked up to 3.5% year over year in July 2023. CPI less food and energy declined from 5% in June to 4.3% at the end of July.
- The ISM Services PMI fell slightly to 52.7 in July of 2023, continuing a seven month streak in expansionary territory.
- The US economy grew by an annualized 2.1% quarter over quarter in Q2 2023, revised slightly lower from the initial estimate of 2.4%. Consumer spending continued to drive the gains, rising 1.7% for the quarter.

## EQUITY MARKETS

- In August, the S&P 500 declined 1.59%. US small and mid cap indices also declined, down 3.7 and 2.7% respectively. Developed international fared worse, down 3.82%. Emerging markets was the weakest of the major equity asset classes, falling 6.14% for the month.
- While earnings for the S&P 500 were negative in the second quarter, 79% of those reporting surprised to the upside. As a result, earnings came in better than what analysts had predicted as of June 30th, -4.1% versus the -7% originally predicted.

## FIXED INCOME

- In the bond markets, Treasury yields ten to thirty years rose by 20-28 basis points (0.2-0.28%). The Bloomberg U.S. Aggregate Index fell by 0.6%. The Bloomberg U.S. Corporate High Yield Index rose 0.3%.
- Overall, bond returns were negative as long duration Treasuries declined in price as interest rates beyond two years rose.
- The Federal Reserve did not meet in August, and currently is expected to remain on hold when they meet again in September. Chairman Jerome Powell has left the Federal Reserve's future actions open, indicating any further rate increases would be dependent on the course of economic activity.

## COMMODITIES / CURRENCIES / REAL ESTATE

- West Texas Intermediate (WTI) moved up for the month, ending at \$83.63 a barrel.
- Gold prices declined slightly to \$1,940 per oz., down \$19 from the end of July.
- The U.S. dollar (USD) Spot Index rose against a basket of currencies, reflecting the relative strength of the US economy as compared to China and Europe.
- Domestic real estate finished the month lower, as the Wilshire U.S. Real Estate Securities Index depreciated 3.07% in July.



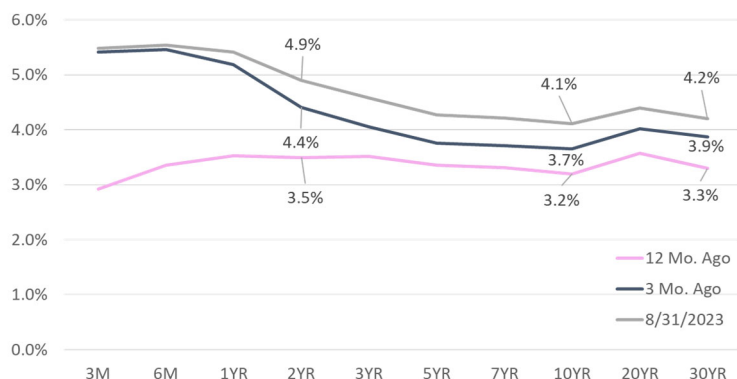
**GLOBAL MARKET SUMMARY**

Index	Level	1 Mos.	3 Mos.	12 Mos.
S&P 500	4507.66	-1.59%	8.28%	15.92%
Dow Jones Industrial Average	34721.91	-2.01%	6.10%	12.58%
NASDAQ Composite	14034.97	-2.05%	8.72%	19.87%
MSCI Emerging Markets	980.33	-6.14%	3.61%	1.63%
MSCI EAFE	2109.16	-3.82%	3.87%	18.67%
MSCI All Country World	686.15	-2.76%	6.73%	14.55%

**U.S. TREASURY MARKET**

Maturity	12 Mo. Ago	3 Mo. Ago	8/31/2023	Change 3 Month
1M	2.3%	5.2%	5.4%	0.20%
3M	2.9%	5.4%	5.5%	0.06%
6M	3.4%	5.5%	5.5%	0.08%
1YR	3.5%	5.2%	5.4%	0.23%
2YR	3.5%	4.4%	4.9%	0.49%
3YR	3.5%	4.0%	4.6%	0.53%
5YR	3.4%	3.8%	4.3%	0.51%
7YR	3.3%	3.7%	4.2%	0.50%
10YR	3.2%	3.7%	4.1%	0.45%
20YR	3.6%	4.0%	4.4%	0.38%
30YR	3.3%	3.9%	4.2%	0.34%

**U.S. TREASURY YIELD CURVE**



**U.S. EQUITY SIZE & STYLE RETURNS**

1 Month				12 Months		
Value	Core	Growth		Value	Core	Growth
7.50%	8.28%	8.94%	<b>Large</b>	17.23%	15.92%	13.37%
10.24%	10.38%	10.49%	<b>Medium</b>	9.88%	10.66%	11.21%
9.38%	9.45%	9.54%	<b>Small</b>	5.38%	5.44%	5.32%

**S&P 500 Index Sector Returns**

Index	1 Mos.	3 Mos.	12 Mos.
Information Technology	-1.3%	8.0%	33.3%
Health Care	-0.7%	4.7%	8.6%
Financials	-2.6%	8.9%	6.3%
Cons. Discretionary	-1.2%	13.5%	11.2%
Industrials	-2.0%	12.2%	18.6%
Communication Services	-0.4%	9.3%	25.8%
Cons. Staples	-3.6%	1.7%	3.5%
Energy	1.8%	16.6%	14.9%
Utilities	-6.2%	-2.3%	-12.6%
Real Estate	-3.0%	3.7%	-8.2%
Materials	-3.3%	11.1%	12.4%

**U.S. FIXED INCOME**

Index	Level	1 Mos.	3 Mos.	1 Year
Bloomberg U.S. Treasury Bills:				
1-3 Months	271	0.4%	0.2%	1.3%
Bloomberg U.S. Aggregate	2,077	-0.6%	-1.1%	-1.2%
Bloomberg Treasury	2,204	-0.5%	-1.6%	-2.1%
Bloomberg U.S. TIPS	333	-0.9%	-1.1%	-3.7%
Bloomberg U.S. Credit	3,050	-0.8%	0.0%	0.9%
Bloomberg Corporate High Yield	2,342	0.3%	3.4%	7.2%

**OTHER**

	8/31/2023	7/28/2023	8/31/2022
Fed Funds Target	5.5	5.5	2.5
30-Year Fixed Mortgage	7.53	7.27	5.95
WTI Oil (\$/barrel)	83.63	80.18	80.85
Gold (\$/oz)	1940.19	1959.49	1711.04
Natural Gas (\$/mmBtu)	2.768	2.638	9.127
Euro (\$/€)	1.0843	1.1016	1.0054

