Cross Border Financial Planning USA LLC

Sept 5, 2024

MARKET MONITOR

Month in Review: August 2024

Index	Asset Class	2024 Aug	2024 YTD	2023
Equity Indexes		Total Returns		
Russell 3000	U.S. Equity	2.2	18.2	26.0
S&P 500	Large Cap U.S. Equity	2.4	19.5	26.3
Russell 1000	Large Cap U.S. Equity	2.4	18.6	26.5
Russell 2000	Small Cap U.S. Equity	(1.5)	10.4	16.9
MSCI All Country World	Global Equity	2.6	16.3	22.8
MSCI All Country World (Ex U.S.)	International Equity	2.9	11.6	16.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	3.3	12.4	18.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	1.7	9.9	10.3
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	1.4	3.1	5.5
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	0.7	1.3	6.2
S&P Municipal High Yield	U.S. Muni Bonds (Below Investment Grade)	1.0	6.3	8.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	1.6	6.3	13.4
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.4	13.7	19.2
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.1	11.0	15.7
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.9	8.4	12.3
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.6	5.7	8.9
Data as of 08/30/2024. Sources are Morningstar for Index returns, and Envestnet Tamarac for Index Blend returns, based on monthly rebalancing.				

Please see important disclosures at end of this report.

Market Overview

August was marked by a relatively volatile ride for the equity market. After a strong market performance in July, investors were met with a significant pullback early in the month, driven primarily by concerns about a potential recession and the implications of a strengthening Japanese yen. The Bank of Japan unexpectedly raised interest rates, effectively squeezing investors who had been engaging in the carry trade - borrowing yen at very low interest rates and investing the funds in other assets. As a result, the rate hike made it more costly for these investors to maintain their positions, forcing them to sell assets and repay their yen loans.[1] However, as the month progressed, market fears subsided as positive economic data, including stronger than expected retail sales and lower than expected weekly jobless claims were reported, and equities gradually recovered.[2] The S&P 500 ended the month just short of its record close, climbing 2.4% from the end of July, and the rest of the equities market posted similar gains sans U.S. small caps.[3]

While equities had their ups and downs, the fixed income market provided a relative haven. As investor uncertainty grew, many in the market sought refuge in bonds, pushing yields lower. Overall, the fixed income market posted gains at-large for the month of August. Corporate high-yield bonds led the way in the class, posting a 1.6% gain. We observed a continued dominance of high-yield bonds in YTD performance compared to their investment-grade counterparts. The 10-year treasury yield dropped in August to 3.910% from 4.107% at the end of July, one of the larger monthly decreases in the yield this year.[3]

Fed Chair Jerome Powell's outlook for the near future expressed at the recent Jackson Hole Economic Symposium reflects optimism regarding inflation and caution regarding labor market conditions. Over the past year, inflation has moderated, with price increases slowing to 2.5% annually, indicating progress toward the Fed's 2% target.

On the employment front, the labor market has cooled since early 2023. Unemployment has risen to 4.3%, but job gains and wage growth have moderated without a surge in layoffs. Though employment risks are present, inflationary pressures from the labor market are unlikely. While the economy continues to grow at a solid pace, Chair Jerome Powell noted an evolving situation, with the upside risks to inflation moderating and the downside risks to employment increasing. He signaled it's time for the Fed to adjust its policy, adding the timing and pace of rate cuts will be guided by incoming data, the evolving economic outlook, and the balance of risks.[4]

Reference(s):

1) *"Unraveling Trades Fuel Global Market Rout." Finance and Markets - Wsj.Com, The Wall Street Journal, www.wsj.com/finance. 5 Aug. 2024.*
2) *"Stock Indexes Rally After Data Calm Economic-Slowdown Fears." Finance and Markets - Wsj.Com, The Wall Street Journal, www.wsj.com/finance. 15 Aug. 2024.*
3) *"What Selloff? Stocks End August Higher After Head-Spinning Swings." Finance and Markets - Wsj.Com, The Wall Street Journal, 30 Aug. 2024, www.wsj.com/finance.*
4) *"Reassessing the Effectiveness and Transmission of Monetary Policy." Federalreserve.Gov, Federal Reserve Bank of Kansas City, 23 Aug. 2024, https://www.federalreserve.gov/newsevents/speech/powell20240823a.htm.*

Cross Border Financial Planning USA LLC is an investment adviser located and registered in Pennsylvania and California. This publication is reprinted with permission from NWAM, LLC dba Northwest Asset Management and RIA Innovations, an SEC registered investment adviser. NWAM, LLC and Cross Border Financial Planning USA LLC are unaffiliated entities. This publication is in no way a solicitation or offer to sell securities or investment advisory services. Statistical information, quotes, charts, references to articles or any other quoted statement or statements regarding market or other financial information is obtained from sources which we believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information.

Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.

Index Definitions:

Russell 3000 – Index comprised of 3,000 largest U.S. stocks by market capitalization. Russell

1000 – Index comprised of 1,000 largest U.S. stocks by market capitalization.

Russell 2000 – Index comprised of 2,000 smaller U.S. stocks by market capitalization within the Russell 3000.

S&P 500 – Compilation of 500 major U.S. stocks meeting certain criteria; market capitalization and float-weighted.

MSCI All Country World – Global equity index across market capitalizations with about 2,800 constituents, representing about 85% of the free float-adjusted market capitalization across 23 developed and 27 emerging markets.

MSCI All Country World ex USA – Global equity index across market capitalizations, which excludes the U.S., with about 2,300 constituents which represents free float-adjusted market capitalization across 22 developed and 27 emerging markets.

MSCI Europe, Asia & Far East (EAFE) – International equity index across market capitalizations, which excludes North America, with about 840 constituents which represents free float-adjusted market capitalization across 21 developed markets.

MSCI Emerging Markets (EM) – International equity index across market capitalizations with about 1,400 constituents which represents free float-adjusted market capitalization across 27 emerging markets.

Bloomberg U.S. Aggregate Bond – Widely followed bond benchmark comprised of investment grade, U.S. dollar denominated, fixed rate taxable bonds including Treasuries, government-related, corporate, mortgage-backed, and agency.

S&P National AMT-Free Municipal Bond – Broad market-value weighted index comprised of larger and more liquid tax-exempt investment-grade U.S. municipal bonds.

S&P Municipal High Yield Bond – U.S. index of municipal bonds that are either not rated or rated below investment grade.

Bloomberg U.S. Corporate High Yield Bond – Index of fixed rate U.S. dollar denominated corporate bonds rated BB+ or below by Fitch and S&P.