

## At-A-Glance

With the S&P 500 down nearly 1.6% in August, the index retraced around half of its 3.2% July gain.

The Dow Industrials fell 2.01%, cutting its YTD gain to 6.37%. The Nasdaq Composite fell 2.05%, trimming its YTD gain to 34.89%.

Amid worries for another 0.25% rate hike in September, the yield on U.S. 10-year Treasury notes reached 4.34% (highest since 2007) on Aug 21 but ended the month at 4.09%, up 0.14% M/M.

U.S. WTI oil futures extended the 15.8% July gain, rising \$1.83 (+2.2%) in August, ending at \$83.63/barrel.

Gold fell 2.16% in August, ending at \$1,965.90/oz. Overall, the Bloomberg Commodity Index fell 1.22% in August.

# MONTHLY RECAP

August 2023 Recap

Market Indices <sup>1</sup>	August	Year-to-Date
S&P 500	-1.59%	18.73%
Russell 3000	-1.93%	18.01%
Russell 2000	-5.00%	8.96%
MSCI EAFE	-3.83%	10.87%
MSCI Emerging Markets	-6.16%	4.55%
Bloomberg U.S. Aggregate Bond	-0.64%	1.37%
Bloomberg U.S. Municipal Bond	-1.44%	1.59%
Bloomberg U.S. Corporate High Yield	0.28%	7.13%

<sup>1</sup>FactSet (all equity performance is total return, which includes reinvested dividends)

The S&P 500 recorded its first down month since February, hurt by weakness among banks, automakers, and Big Tech firms. Energy was the only S&P 500 sector to preserve an August gain, bolstered by rising oil prices. A rare four-day rally in late August helped narrow deeper earlier losses of over 4.5%. Solid earnings amongst the largest chipmakers revived interest in AI (artificial intelligence) companies. Favorably, the S&P 500 finished August above its 50-day moving average.

A deluge of mixed economic data during the second half of the month provided hopeful inspiration that peak interest rates may be nearing. As there was no FOMC policy meeting in August, Wall Street and the Federal Reserve remain data dependent until policymakers announce their next rate decision on September 20. Meanwhile, Atlanta Fed President Raphael Bostic said fellow policymakers need to be cautious not to overtighten monetary policy which could imperil the labor market.

In economic highlights, the core personal consumption expenditures (PCE) price index, the Fed's preferred measure of underlying price inflation, posted its smallest back-to-back monthly gains in over two years, fueling expectations for a soft landing or even avoiding a recession. The annualized core PCE did however rise to 4.2% from 4.1%. U.S. retail sales remain resilient, rising 0.7% in July, topping projections for +0.4% increase and up from +0.3% in June. Retail sales are up 3.2% from a year ago.

Wall Street was challenged in August following a series of credit rating downgrades and negative warnings to numerous banks. The rating agencies noted caution on banks who have outsized exposures to commercial real estate. Taken together with the banking industry facing increased regulation and rising deposit costs, the KBW Bank Index fell 8.8% to its worst level since March when the collapse of SVB and Signature Bank occurred.

More favorably, the second-quarter earnings season is drawing to a close, with 76% of companies topping projections. 2Q expectations are on track for revenues to expand by 0.5% and earnings per share (EPS) to contract by 4.2%. Initial projections at the start of the earnings season called for a 7.4% EPS contraction.

As shown in the style performance boxes below, large cap companies outperformed both mid and small caps in August and meaningfully so YTD. Moreover, for the month, growth fell the least in large and mid caps while in small cap, value outperformed. For the year, growth continues to dominate over value, especially among large cap companies.

among large cap companies:

August				YTD			
	Value	Core	Growth		Value	Core	Growth
Large	-2.70%	-1.75%	-0.90%	Large	5.88%	18.58%	32.17%
Mid	-3.54%	-3.47%	-3.30%	Mid	5.93%	9.40%	15.51%
Small	-4.81%	-5.00%	-5.21%	Small	4.94%	8.96%	12.68%

Style returns are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Cetera Investment Management, FactSet, FTSE Russell, total return based, which includes dividends. Investors cannot invest directly in indexes. Data as of 8/31/2023.

In the sector performance, of the 11 S&P 500 sector groups only Energy (+1.8%) posted a gain in August, extending its top performance for a second straight month. Communication Services (-0.37%), which fell the least last month, cemented its top August YTD performer ranking (+45.16%). Technology (+44.66%) follows in the second-best YTD gainer position.

Top Sector Performers – August <sup>1</sup>	Bottom Sector Performers – August <sup>1</sup>
Energy (+1.81%)	Materials (-3.28%)
Communication Services (-0.37%)	Consumer Staples (-3.57%)
Healthcare (-0.69%)	Utilities (-6.16%)
Top Sector Performers – YTD <sup>1</sup>	Bottom Sector Performers – YTD <sup>1</sup>
Communication Services (+45.16%)	Consumer Staples (-0.25%)
Technology (+44.66%)	Healthcare (-1.17%)
Consumer Discretionary (+34.72%)	Utilities (-9.31%)

<sup>1</sup> FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends)

Foreign developed equity markets fell more broadly in August, underperforming the U.S. with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) having losses that were 2.2% more than S&P 500. Emerging markets fell a sharp 6.16%, almost entirely erasing a 6.3% gain in July.

Turning to fixed-income markets, investors closely monitored see-sawing Treasury yields that again gyrated amidst changing global central bank rate outlooks. Treasury yields remain inverted with shorter maturity Treasuries yielding more than longer-term notes and bonds. On a broader basis, investment-grade bonds slipped just 0.64% in August, as measured by the Bloomberg U.S. Aggregate Bond Index. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, outperformed, rising 0.28% to extend its YTD gain above 7%. Lastly, Municipal bonds fell 1.44%, cutting its YTD gain to 1.59%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](https://twitter.com/CeteraIM) on Twitter.



### **About Cetera® Investment Management**

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

### **About Cetera Financial Group**

“Cetera Financial Group” refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

### **Disclosures**

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

### **Glossary**

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS



(agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.