Cetera® Investment Management

Monthly Recap

August 2024 Recap

At-A-Glance

The S&P 500 rose 2.4% in August., twice the 1.2% July return. Year-to-date (YTD), the S&P 500 has advanced 19.53%, extending its bull run return to 38.92% since its last correction low on 10/27/2023.

The Dow Jones Industrial Average gained 2.03% last month, ending at a fresh record of 41,563. The Dow-30 index is up 11.75% YTD.

The Nasdaq Composite edged 0.74% higher in August, fully retracing its 0.73% July loss. The tech heavy index is up 18.57% YTD.

Portending the start of Fed rate cuts in September, the benchmark 10-year Treasury yield fell nearly 0.14% in August, ending at 3.917%.

Bloomberg's Commodities Index inched up 0.05% last month, lifting its YTD gain to 0.95%. Gold futures gained 2.2% in August, finishing at $2,527.60 per ounce. Gold is up 22% YTD, the best performing asset class this year. U.S. WTI crude oil slumped 5.6% to $73.55/barrel, cutting its YTD gain to 2.65%.

Market Indices[1]	August	Year-to-Date
S&P 500	2.43%	19.53%
Russell 3000	2.18%	18.19%
Russell 2000	-1.49%	10.39%
MSCI EAFE	3.25%	11.96%
MSCI Emerging Markets	1.61%	9.55%
Bloomberg U.S. Aggregate Bond	1.44%	3.07%
Bloomberg U.S. Municipal Bond	0.79%	1.30%
Bloomberg U.S. Corporate High Yield	1.63%	6.29%

[1]FactSet (all equity performance is total return, which includes dividends).

The S&P 500 ended a roller-coaster month with a 2.43% gain, almost entirely recouping an 8.5% July 16 through August 5 pullback. The large-cap benchmark index closed August just 0.33% below its most recent all-time high, posting its fourth straight monthly gain, its longest stretch of gains since March. A weak jobs report and a jump in the unemployment rate to nearly a three-year high of 4.3% were the primary culprits behind the early August pullback. Subsequent economic data affirmed the Fed's soft-landing view that culminated with Fed Chairman Powell's Jackson Hole speech saying the time has come to begin reducing interest rates. Financial markets are currently pricing in 63% odds for a 0.25% rate cut with a 37% chance for a deeper 0.50% rate reduction this month

In favorable economic data, second quarter GDP was upwardly revised to 3.0% from an initial +2.8% estimate. Economic growth had expanded just 1.4% in the first quarter. U.S. personal spending rose 0.5% in July, up from 0.3% the month prior. The stronger-than-expected increase suggests the economy is on firmer ground and could weigh against a larger 0.50% interest rate cut from the Federal Reserve in September.

On the inflation front, the personal consumption expenditures (PCE) price index, the Federal Reserve's preferred measure of inflation rose 0.2% in July, up from 0.1% in June and up 2.5% from a year ago. The key core PCE price index that excludes volatile food and energy items also rose 0.2%, up 2.6% from 12-months ago (+2.7% expected). Separately, the cost of services had also increased 0.2% for a third straight month, lifted by higher housing, utilities, and recreation services costs as well as financial services and insurance. Healthcare prices were unchanged while the cost of transportation services decreased for a fourth consecutive month.

With the second quarter earnings season virtually complete, S&P 500 company earnings per share (EPS) increased 11.8% from a year ago, widely surpassing the 8.8% estimate before the start of the reporting season. FactSet projects double-digit earnings growth of 10.12% for the full year 2024 and 15.35% in 2025. The S&P 500 is trading 21.4 times next 12-months earnings, 34% above the 20-year average of 15.9.

While Large and Mid Caps finished positive last month, all three small cap styles underperformed with negative returns. Large cap Value (+2.68%) performed best with Mid Cap Growth following closely behind (+2.48%). This occurred as investors again shifted out of Big Tech growth stocks into dividend-oriented value stocks. Once again, despite August rotational gains, the YTD picture continues to reflect strong outperformance in Large Cap Growth stocks.

August Returns

	Value	Blend	Growth
Large Cap	2.68%	2.37%	2.08%
Mid Cap	1.89%	2.03%	2.48%
Small Cap	-1.88%	-1.49%	-1.11%

YTD Returns

	Value	Blend	Growth
Large Cap	15.08%	18.64%	21.12%
Mid Cap	12.95%	12.14%	9.27%
Small Cap	9.15%	10.39%	11.74%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which includes dividends. Investors cannot invest directly in indexes. Data as of 8/31/2024.

Amidst a second month of defensive rotational shifting, Consumer Staples and Real Estate took top honors, followed by Utilities and Financials (+4.51%). Technology (+1.25%) and Communication Services (+1.24%) had gained the least in August, while these same two sectors remain this year's top YTD sector leaders. All 11 major sectors posted positive YTD performance with only Consumer Discretionary (+6.37%) posting single digit trailing performance.

Top Sector Performers – August[1]	**Bottom Sector Performers – August[1]**
Consumer Staples (+5.94%)	Communication Services (+1.24%)
Real Estate (+5.79%)	Consumer Discretionary (-0.97%)
Utilities (+4.86%)	Energy (-1.70%)
Top Sector Performers – YTD[1]	**Bottom Sector Performers – YTD[1]**
Technology (+27.14%)	Materials (+11.21%)
Communication Services (+23.11%)	Real Estate (+10.64%)
Financials (+22.58%)	Consumer Discretionary (+6.37%)

[1] FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends)

Foreign developed equities continued to outperform relative to the U.S. in August with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) advancing 3.25%, 0.82% more than the S&P 500's 2.43% monthly return. In MSCI country-specific indices, Switzerland and Germany advanced respectively by 4.77% and 4.74% in August while Japan rose just 0.51%. Emerging markets recorded a smaller return of 1.61% last month as gains in Thailand (+9.24%) and Brazil (+6.70%) were overshadowed by Mexico's (-5.25%) hefty loss and China's (+1.00%) smaller gain.

As mentioned earlier, the yield on 10-year Treasury notes ended August at 3.917%, down 0.14%. With Treasury prices rallying a fourth month, their longest stretch of gains since 2020, the Bloomberg U.S. Government Index gained 1.27%, lifting its YTD return further into positive territory, up 2.62%. The longer-duration Bloomberg index of U.S. Government long-term bonds gained 2.03%, trimming its YTD loss to 0.41%.

On a broader basis, investment-grade bonds of all types, as measured by the Bloomberg U.S. Aggregate Bond Index, also performed well, returning 1.44% in August. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, rose 1.63% last month while Municipal bonds rose a lesser 0.79%.

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

A diversified portfolio does not assure a profit or protect against loss in a declining market.

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.