

## Optimistic Rate Cut View Drives Broad Advance

The stock market exhibited mixed action at the index level this week.



Some sessions featured downside moves driven by consolidation activity, and some sessions featured robust buying. Like recent weeks, buying activity was driven by the notion that the Fed will lower rates beginning in September.

Ultimately, the S&P 500 settled 1.5% higher, the Nasdaq Composite jumped 1.4%, and the Russell 2000 closed 3.6% higher than last Friday. This price action left the S&P 500 just 0.6% below its all-time high. Volume was below-average through most of the week, reflecting a lack of participation due to vacation schedules and some hesitation ahead of potentially influential events.

This week's lineup was headlined by Fed Chair Powell's speech at the Jackson Hole Economic Symposium on Friday, which was dovish sounding and acknowledged

that "the time has come for policy to adjust." Earlier in the week, the FOMC Minutes from the July 30-31 meeting were highlighted by the Fed's comments that a rate cut was "plausible" at the meeting.

The market brushed off the release of revisions to nonfarm payrolls for the April 2023-March 2024 period, which showed that there were 818,000 fewer nonfarm payroll positions than previously thought, creating some concern that the labor market has been softening for a longer period than previously thought.

This week's calendar also featured some slightly worse than expected initial jobless claims, some weaker than expected preliminary manufacturing PMI data for August, some stronger than expected preliminary Services PMI data for August, and some better-than-expected existing home sales for July, which were up 1.3% month-over-month but still down 2.5% year-over-year.

Many stocks participated in a broad advance in the equity market. The equal-weighted S&P 500 jumped 2.1% and ten of the 11 S&P 500 sectors registered gains. The lone sector to log a decline was energy (-0.5%) while the rate-sensitive real estate sector (+3.6%) registered the biggest gain.

Other top performing sectors included the materials (+2.4%), consumer discretionary (+2.1%), and industrial (+1.8%) sectors.

The 10-yr note yield dropped eight basis points this week to 3.81% and the 2-yr note yield settled 16 basis points lower at 3.91%.

- Nasdaq Composite: +19.1% YTD
- S&P 500: +18.1% YTD
- S&P Midcap 400: +11.3% YTD
- Russell 2000: +9.5% YTD
- Dow Jones Industrial Average: +9.3% YTD

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