



WEEK OF AUGUST 28, 2023

Market Update

Quick Hits

1. **Report releases:** Jackson Hole was the focus, but there were also several important data releases.
2. **Financial market data:** We saw slightly different reactions to Jackson Hole from equity and bond markets.
3. **Looking ahead:** Investors will be watching for consumer confidence and employment reports.

Report Releases: August 21–25, 2023

Existing Home Sales July (Tuesday)

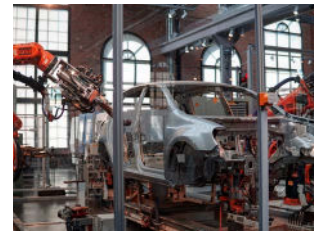
Existing home sales fell more than expected in July, which marks three consecutive months with declining home sales. Rising mortgage rates and lack of supply served as headwinds for sales growth.

- Expected/prior month existing home sales monthly change: -0.2%/-3.3%
- Actual existing home sales monthly change: -2.2%



S&P Global U.S. Composite PMI August (Wednesday)

The preliminary S&P Global Composite Purchasing Managers' Index (PMI) for the U.S. came in at 50.4 in August, down from 52 in July. The PMI was expected to remain flat in August, but it dipped when the services segment came in weaker than expected at 51 versus expectations of 52.3.



Durable Goods Orders July (Thursday)

Headline durable goods orders fell more than expected in July due to a drop in volatile aircraft orders. Core orders, which are viewed as a proxy for business investment, improved more than expected.

- Expected/prior durable goods orders monthly change: -4.0%/+4.4%
- Actual durable goods orders change: -5.2%
- Expected/prior core durable goods orders monthly change: +0.2%/+0.2%
- Actual core durable goods orders change: +0.5%



University of Michigan Consumer Sentiment Survey July (Friday)

The University of Michigan consumer sentiment survey for August showed a slight drop, with sentiment coming in at 69.5 versus expectations of 71.1. Additionally, one-year inflation expectations rose to 3.5 percent from 3.3 percent in last month's survey.



>> The Takeaway

- Existing home sales, a major component of overall inflation, fell more than expected in July.
- Despite worsening economic data in home sales, durable goods, and confidence, consumer inflation expectations rose.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.84%	-3.86%	15.99%	10.44%
Nasdaq Composite	2.27%	-5.18%	30.59%	12.93%
DJIA	-0.42%	-3.20%	5.08%	8.70%
MSCI EAFE	-0.18%	-6.43%	7.87%	12.21%
MSCI Emerging Markets	0.74%	-7.06%	3.56%	-0.94%
Russell 2000	-0.29%	-7.34%	6.27%	-0.89%

Source: Bloomberg, as of August 25, 2023

The Nasdaq Composite and S&P 500 bounced back last week as Federal Reserve (Fed) Chairman Jerome Powell offered very little to surprise investors at his annual Jackson Hole speech. The Chairman stated that the committee would hike rates, if necessary, but also pointed to signs of continued improvement on inflation. As a result, growth stocks fared well under the belief that the Fed may be done hiking for the cycle, which will set a ceiling on the cost of capital to fund future growth.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.58%	0.41%	-2.92%
U.S. Treasury	-1.34%	-0.13%	-3.47%
U.S. Mortgages	-1.90%	-0.15%	-3.96%
Municipal Bond	-1.81%	1.21%	0.98%

Source: Bloomberg, as of August 25, 2023

Despite the reaction in equity markets, the bond market had a slightly different takeaway from Jackson Hole. The front end of the yield curve moved modestly higher as fixed income investors believed there could potentially be more to come in terms of rate hikes. It's not uncommon for post-Fed events to see a whipsawed reaction. The 2-year U.S. Treasury closed the week above 5 percent for the first time since 2007.

>> The Takeaway

- Equity investors flocked to growth stocks, not only due to the potential for rates to be done, but also for a large cash buffer that many hold on their balance sheets.
- The Jackson Hole speech offered significantly fewer surprises than last year for fixed income markets.

Looking Ahead

The releases this week will focus on consumer confidence and spending. The week will wrap with the August employment report.

- The week will kick off on Tuesday with the release of **Conference Board Consumer Confidence Index** data for August. Consumer confidence is set to fall modestly in August after the index hit a two year high in July.
- Thursday will provide additional insight into the consumer with **personal income** and **personal spending** reports for July. Personal income and spending are both set to increase, with spending growth expected to accelerate.
- Finally, Friday will wrap with **employment** and **ISM manufacturing** reports for August. Economists expect to see continually solid hiring during the month, with forecasts calling for 168,000 additional jobs in August. Manufacturer confidence is expected to improve modestly in August; however, the index is set to remain in contractionary territory.





Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance

of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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