



WEEK OF SEPTEMBER 5, 2023

Market Update

Quick Hits

1. **Report releases:** Unemployment ticked up to 3.8 percent in August.
2. **Financial market data:** Growth stocks fared well as U.S. Treasury yields fell.
3. **Looking ahead:** Investors will look to durable goods orders and PMI data for business activity and confidence.

Report Releases: August 28–September 1, 2023

Conference Board Consumer Confidence August (Tuesday)

Consumer confidence fell in August, with the index dropping to a three-month low due to worsening consumer views on both the present economic situation and future expectations.

- Expected/prior month consumer confidence: 116.0/114.0
- Actual consumer confidence: 106.1



Personal Spending and Personal Income July (Thursday)

Personal spending increased more than expected in July. It was a strong month for spending growth, as the 0.8 percent increase in July marked the second-best month for spending growth so far this year.

- Expected/prior personal income monthly change: +0.3%/+0.3%
- Actual personal income change: +0.2%
- Expected/prior personal spending monthly change: +0.7%/+0.6%
- Actual personal spending change: +0.8%



Employment Report August (Friday)

The August job report showed solid hiring growth as 187,000 jobs were added. This was up slightly from the 157,000 jobs that were added in July and above expectations for a more modest 170,000 jobs.

- Expected/prior change in nonfarm payrolls: +170,000/+157,000
- Actual change in nonfarm payrolls: +187,000



ISM Manufacturing August (Friday)

Manufacturer confidence improved more than expected in August. The index came in at 47.6, which was above expectations of 47.0 as well as last month's 46.4. This improvement brought the index to a six-month high.



>> The Takeaway

- Spending rose more than expected despite lower personal income growth and consumer confidence.
- Unemployment ticked up to 3.8 percent with temporary jobs ending and new entrants leading a move higher.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.55%	1.76%	18.95%	17.04%
Nasdaq Composite	3.27%	1.92%	34.86%	21.72%
DJIA	1.57%	1.71%	6.73%	13.65%
MSCI EAFE	2.53%	-0.96%	10.60%	18.62%
MSCI Emerging Markets	1.52%	0.23%	5.13%	4.11%
Russell 2000	3.67%	1.93%	10.17%	7.81%

Source: Bloomberg, as of September 1, 2023

Global equities rallied last week as a drop in Treasury yields following their recent rally helped support growth stocks. The Russell 2000 and Nasdaq Composite were both particularly strong—up more than 3 percent. Technology, energy, and materials were among the top performers as the drop in rates and better-than-expected employment report supported a broader growth story.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.47%	0.89%	-1.45%
U.S. Treasury	-0.44%	0.26%	-2.32%
U.S. Mortgages	-0.47%	0.47%	-2.50%
Municipal Bond	-0.02%	1.57%	2.23%

Source: Bloomberg, as of September 1, 2023

U.S. Treasury yields fell last week, particularly in the belly of the curve, as the rising unemployment rate and concerns around global growth with the recent China drag weighed on intermediate-term yields. The 3-month, 2-year, and 5-year yields fell 4.6 basis points (bps), 21 bps, and 14.6 bps, respectively. The drop in the 2-year provides an indication of the change in rates in 2024, with multiple cuts expected.

>> The Takeaway

- Growth equities performed well as the cost of capital for these longer-time horizon holdings fell.
- The 2-year Treasury yield fell as a rising employment rate helped make the case against additional rate hikes in 2023.

Looking Ahead

The releases in this holiday shortened week will focus on trade, business sentiment, and the consumer.

- The week will kick off on Tuesday with the release of the final **durable goods orders** numbers for July. The prior report showed a decline of 5.2 percent.
- Wednesday will see the release of both **trade balance** for July and **ISM Services index** data for August. The trade deficit is set to widen modestly in July, driven by a widening trade deficit for the trade of goods. Service sector confidence is expected to decline slightly in August, which would mark two consecutive months with worsening sentiment.
- Finally, Friday will wrap with **consumer credit** data for July. Economists expect \$17.5B in consumer credit, which is slightly down from \$17.84B in the last release.





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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