

Market Flash Report

August 2024

Key Takeaways

- **Market News:** August brought a mix of economic signals, shaping market expectations and Federal Reserve policy outlook. Inflation continued its downward trend, with the Consumer Price Index falling below 3% for the first time since March 2021. This development, coupled with the Fed's preferred inflation measure (PCE) holding steady at 2.5%, strengthened the case for potential interest rate cuts.
- **Large Caps:** The S&P 500 was up +2.4% in August as Q2 earnings surpassed analysts' forecasts. However, the Magnificent 7 experienced its second consecutive month of negative returns. This unexpected downturn might underscore the growing disparity between soaring expectations and actual market dynamics. The S&P 493 rose over +3% as investors rotated into other sectors such as Health Care and Utilities.
- **Small Caps:** The labor market showed signs of cooling, only adding 114k and 142k jobs for July and August, which were both below expectations. This softening in employment data sparked concerns about an economic slowdown and yields drifted lower throughout the month as more rate cuts were priced into markets. Small Caps, which exploded in July, came back down to Earth in reaction to the weak economic data.
- **Interest Rates:** As a result of the shift in the yield curve, bonds have been hot for the past few months. US Aggregate Bonds were up +6.6% since the end of April and other interest rate sensitive sectors such as REITs and Infrastructure were up +21.8% and +13.3% over the same period.

Index Performance (as of 8/31/2024)

| |
|-------------------------|
| ARIZONA |
| CALIFORNIA |
| COLORADO |
| D.C. METRO AREA |
| FLORIDA |
| GEORGIA |
| MASSACHUSETTS |
| NEW JERSEY |
| NEW YORK |
| PHILADELPHIA METRO AREA |
| RHODE ISLAND |
| TEXAS |
| WASHINGTON |
| WYOMING |
| 888-750-PATH (7284) |
| www.pathstone.com |

| Equity | August | YTD | One-Year |
|-------------------------------|--------|-------|----------|
| U.S. Large Cap | 2.4% | 19.5% | 27.1% |
| U.S. Small Cap | -1.5% | 10.4% | 18.5% |
| Developed Non-U.S. | 3.3% | 12.4% | 20.0% |
| Emerging Market | 1.6% | 9.9% | 15.5% |
| Real Assets | | | |
| Real Estate | 5.6% | 10.7% | 21.4% |
| Infrastructure | 4.0% | 13.8% | 20.6% |
| Fixed Income | | | |
| <u>Core Plus</u> | | | |
| U.S. High Yield Debt | 1.6% | 6.3% | 12.6% |
| Emerging Market Debt | 3.1% | 1.8% | 6.9% |
| <u>Core Bonds</u> | | | |
| U.S. Aggregate Bonds | 1.4% | 3.1% | 7.3% |
| U.S. Treasuries | 1.3% | 2.6% | 6.0% |
| U.S. Municipal Bonds | 1.0% | 1.1% | 4.7% |
| Month-End Values/Yield | | | |
| CBOE Volatility Index | 15.0 | 16.4 | 13.6 |
| 10-Year Treasury Yield | 3.9% | 4.0% | 4.1% |

Disclosures

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U.S. Large Cap Equity is represented by the S&P 500 Index, with dividends reinvested. U.S. Small Cap Equity is represented by the Russell 2000 Index. Developed Non-U.S. Equity is represented by the MSCI EAFE Index. Emerging Market Equity is represented by the MSCI EM Index. Real Estate is represented by the FTSE NAREIT Index. Infrastructure is represented by the FTSE Global Core Infrastructure 50/50 Index. U.S. High Yield Debt is represented by the Bloomberg Barclays U.S. Corporate High Yield Index. Emerging Market Debt is represented by the JPM GMI-EM Global Diversified Index. U.S. Aggregate Bonds is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. U.S. Treasuries is represented by the Bloomberg Barclays U.S. Treasury Index. U.S. Municipal Bonds is represented by the Bloomberg Barclays Municipal 1-10yr Index.