

# Capital Markets Snapshot

Courtesy of The Davis Financial Group  
Week ending August 2, 2024

The first week of August saw mixed performance across asset classes and ended with a two-day selloff in the equity markets. Multiple data points suggest a softening labor market (nonfarm payrolls well below expectations, increasing unemployment rate triggered two recession indicators, above expectation initial jobless claims, and above expectation number of job openings) and a downward revision to GDP growth helped contribute to the downside volatility. Resulting from the increased uncertainty, we saw the VIX Index hit a one-year high breaking above 29 on Friday. While not guaranteed to repeat, historically large VIX spikes have signaled a near-term market bottom in stocks.

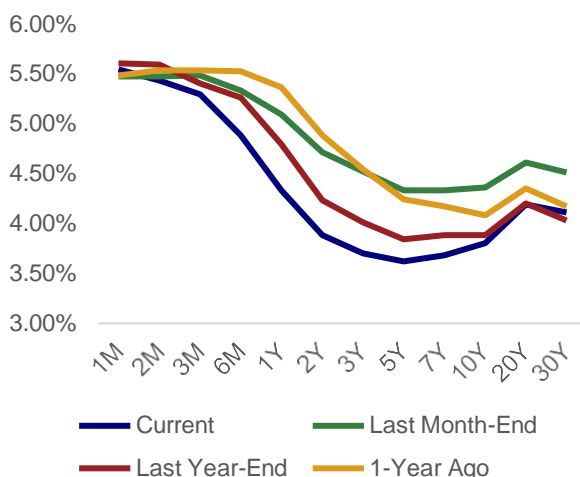
## Fixed Income Markets Overview

- The Federal Reserve left interest rates unchanged while expectations for a September rate cut remain high and are increasing for the potential of multiple rate cuts this year.
- Yields fell between 8 and 50 basis points across the yield curve, except for a 5 bps increase in the 1-month yield as investors sought safety in fixed income. While the 2Y-10Y spread remains inverted, it is at its lowest level since July 2022 leaving some to wonder if the more than 2-year long inversion is coming to an end.
- Mortgage rates continue to fall reaching their lowest levels since early February. As home price growth is moderating and housing inventories are increasing, there may be some signs of relief for potential homebuyers.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	0.9%	3.3%	1.1%	1.5%
	Core Plus				
	Intermediate Govt/Credit	1.7%	3.5%	-0.5%	1.2%
	International Aggregate	2.3%	1.0%	-4.7%	-1.3%
	US Aggregate	2.4%	3.2%	-2.2%	0.4%
	US Treasury	2.6%	3.0%	-2.6%	-0.1%
	US TIPS	1.4%	3.1%	-1.5%	2.4%
	US Corporate	2.1%	3.1%	-2.4%	1.1%
	US Corporate High Yield	-0.1%	4.3%	2.1%	4.2%
Other	Emerging Markets Aggregate	1.2%	4.7%	-1.6%	0.7%
Muni	US Municipals	1.0%	1.5%	-0.6%	1.3%
	US Municipals High Yield	2.0%	7.1%	0.6%	3.3%

Source: Bloomberg as of August 2, 2024

## U.S. Treasury Yield Curve



Source: Bloomberg and U.S Treasury as of August 2, 2024

## Interest Rates (%)

Date	8/2/2024	6/28/2024	12/29/2023	8/2/2023
Federal Funds Rate	5.54%	5.47%	5.60%	5.48%
3 Month Treasury	5.29%	5.48%	5.40%	5.53%
6 Month Treasury	4.88%	5.33%	5.26%	5.52%
2 Year Treasury	3.88%	4.71%	4.23%	4.88%
5 Year Treasury	3.62%	4.33%	3.84%	4.24%
10 Year Treasury	3.80%	4.36%	3.88%	4.08%
30 Year Treasury	4.11%	4.51%	4.03%	4.17%
US Aggregate	4.35%	5.00%	4.53%	4.96%
US Corporate	4.94%	5.48%	5.06%	5.59%
US Corporate High Yield	7.70%	7.91%	7.59%	8.53%
US Municipal	3.42%	3.72%	3.22%	3.63%
US Municipal High Yield	5.19%	5.43%	5.57%	5.79%

## Spreads Over 10-Year US Treasuries

Date	8/2/2024	6/28/2024	12/29/2023	8/2/2023
30 Year Treasury	0.31%	0.15%	0.15%	0.09%
US Aggregate	0.55%	0.64%	0.65%	0.88%
US Corporate	1.14%	1.12%	1.18%	1.51%
US Corporate High Yield	3.90%	3.55%	3.71%	4.45%
US Municipal	-0.38%	-0.64%	-0.66%	-0.45%
US Municipal High Yield	1.39%	1.07%	1.69%	1.71%

Source: Bloomberg and U.S. Treasury as of August 2, 2024

## Equity Markets Overview

- All three major indices fell for the week as the S&P 500 and Nasdaq continue their slides and the DJIA ends its multi-week rally. The S&P 500 fared the best falling 2% while Nasdaq fared worst falling 3.3% over the week.
- The recent rotation in favor of small caps came to an end with small cap falling 5.51% compared to large caps only retreating 2%. However, value continued its recent outperformance of growth across the market cap spectrum.
- Sector performance was mixed as markets sold off at the end of the week, Utilities and Real Estate led the pack posting 4.4% and 3.1% weekly gains, respectively, while Consumer Discretionary and Information Technology brought up the rear falling -4.3% and 4%, respectively.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
<b>All-Cap</b>	S&P 1500	-2.3%	12.4%	7.8%	14.3%
<b>Large-Cap</b>	S&P 500	-2.0%	13.0%	8.2%	14.6%
	S&P 500 Growth	-2.4%	17.2%	5.9%	15.7%
	S&P 500 Value	-1.4%	8.6%	10.0%	12.5%
<b>Mid-Cap</b>	S&P Midcap 400	-4.1%	6.9%	4.5%	10.8%
	S&P Midcap 400 Growth	-4.5%	10.5%	3.3%	10.4%
	S&P Midcap 400 Value	-3.7%	3.1%	5.6%	10.6%
<b>Small-Cap</b>	S&P Smallcap 600	-5.5%	3.5%	1.8%	9.3%
	S&P Smallcap 600 Growth	-5.6%	6.6%	1.1%	9.3%
	S&P Smallcap 600 Value	-5.5%	0.2%	2.3%	8.9%
<b>Int'l.</b>	MSCI ACWI ex-USA	-1.7%	4.5%	0.3%	6.0%
	MSCI EM	-1.0%	5.5%	-3.9%	3.6%

Source: Bloomberg as of August 2, 2024

## Alternative Markets Overview

- On the back of increasing OPEC output, decreasing Chinese manufacturing activity, and weakening labor data, oil prices fell to their lowest levels since January.
- Gold prices jumped over 1.7% on the week following the news of a weakening labor market and slowing economic growth.
- Bitcoin prices fell over 7.8% during last week's pullback and is almost 20% below its March 2024 high. Morgan Stanley announced they will begin making select spot Bitcoin ETFs available for use with clients, a sign of increasing industry adoption.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	-2.9%	3.6%	10.3%	7.6%
Gold	1.7%	19.2%	10.8%	11.1%
FTSE All Equity NAREIT	2.3%	6.3%	-0.3%	4.7%
Bitcoin	-7.8%	49.0%	18.1%	43.0%
Ethereum	-8.1%	30.6%	6.9%	69.2%

Source: Bloomberg as of August 2, 2024



### Upcoming Week

- While it is a lighter week for economic releases, we will get some data on the Services sector with Monday's ISM Non-Manufacturing Index, some consumer data with Wednesday's Consumer Credit and Mortgage Applications releases.
- As second quarter earnings season continues, FactSet reports an expected 11.5% YoY increase in S&P 500 companies' earnings. This week look for earnings releases from Caterpillar, Walt Disney, and Robinhood Markets.

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## Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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