

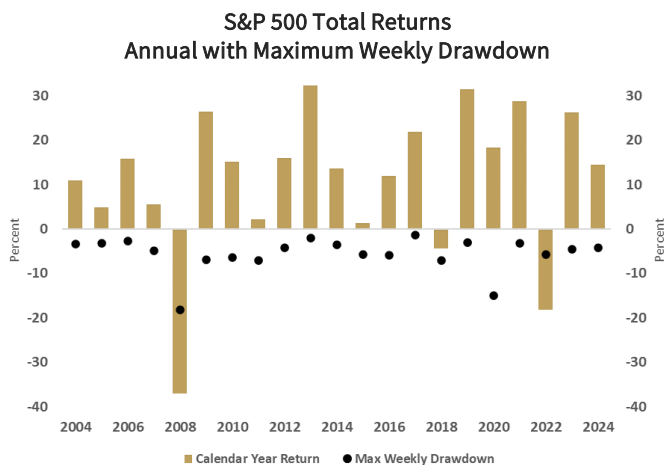
An Unpleasant, Yet Ordinary, Week in the Stock Market

For investors in U.S. stocks, last week's 4.2% decline, as measured by the S&P 500 Index, was unpleasant but certainly not unique. In fact, declines of that size occur regularly enough to be considered ordinary.

We point to three drivers behind last week's fall in stocks. First, anxieties about the direction of the U.S. economy are growing. The August payrolls report released Friday showed a weakening job market, raising concerns that the economy is moving toward recession. Second, many large-cap U.S. stocks—especially in the tech-heavy S&P 500—are expensive, increasing the likelihood of investors selling to capture profits. And third, investors are facing what has been a difficult season for stocks. Over the past 30 years, September has been the weakest month on average for the S&P 500.

As unpleasant as last week may have been, a decline such as last week's is ordinary. Over the past 20 years, the S&P 500 has experienced 12 weekly drawdowns greater than last week's 4.2% drop. Yet, in all but three of these 20 years, the S&P 500 has produced positive returns, with an average annual return of 11%. Investors are wise to stay patient through the unpleasantness of short-term drawdowns—and, better yet, to take advantage of opportunities that those drawdowns may present.

CHART OF THE WEEK



Source: Bloomberg, through September 6, 2024.

Index Returns (%)						
Equities	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.
S&P 500	5471	-3.10	0.46	15.82	24.52	8.61
Russell 1000 Growth	3523	-4.22	-3.89	16.00	26.76	7.68
Russell 1000 Value	1809	-2.07	5.70	12.70	19.67	6.83
FTSE High Dividend Yield*	436	-2.34	4.90	13.11	20.14	9.08
S&P Small and Mid Cap	16488	-4.77	1.71	5.79	16.01	3.93
MSCI EAFE	2377	-2.89	3.07	9.02	18.30	3.28
MSCI EM	1063	-2.95	-1.32	6.22	12.39	-3.80

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income						
	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.
U.S. Aggregate	4.20	1.44	5.30	4.55	9.68	-1.62
U.S. Int. Gov/Credit	3.92	0.95	4.03	4.54	8.63	-0.04
U.S. Corporates	4.74	1.46	5.52	5.00	11.82	-1.63
High Yield	7.22	0.37	3.99	6.67	13.30	2.57
Municipals (1-10)	2.92	0.37	2.31	1.52	5.24	0.25

Levels (%)						
Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago
2-yr Treasury	3.67	3.87	4.76	4.25	4.99	0.21
10-yr Treasury	3.70	3.83	4.40	3.88	4.29	1.34
30-yr Treasury	4.00	4.12	4.56	4.03	4.37	1.94
3-mo. LIBOR	5.19	5.27	5.59	5.59	5.67	0.12
6-mo. CD rate	4.70	4.83	5.42	5.28	5.78	0.19
Prime Rate	8.50	8.50	8.50	8.50	8.50	3.25
30-yr fixed mortgage	6.69	6.79	7.26	6.99	7.59	3.01

Index Characteristics					
NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld	
22.9	16.8	2.9	1.7	1.4	
30.2	19.8	5.1	2.0	0.6	
18.3	14.9	1.8	1.4	2.1	
13.9	14.2	1.7	1.6	4.0	
17.8	19.0	1.3	1.2	1.7	
14.6	14.7	1.4	1.1	3.1	
12.8	12.6	1.4	1.3	2.7	

Levels					
Currencies	Last	1 Wk Ago	Prev YE	3 Yrs Ago	
DX/¥	101.64	101.83	101.33	92.58	
\$ per €	1.10	1.10	1.10	1.18	
\$ per £	1.31	1.31	1.27	1.38	
¥ per \$	142.46	145.48	141.04	109.94	

Levels					
Commodities	Last	1 Wk Ago	Prev YE	3 Yrs Ago	
Oil (WTI)	65.60	70.34	70.98	57.50	
Gasoline	3.26	3.32	3.12	3.18	
Natural Gas	2.24	2.20	2.51	4.94	
Gold	2515	2493	2063	1788	
Copper	9173	8830	8464	9685	
Wheat	555	552	628	675	
BBG Index	222.35	226.61	226.43	207.36	

LAST WEEK IN REVIEW

- **ISM Manufacturing PMI (Aug.):** 47.2. Fifth consecutive month of sub-50 readings, signaling continued slowdown in manufacturing sector.
- **JOLTS (Aug.):** Decline in job openings show 1.1 openings to people looking for work.
- **ISM Services PMI (Aug.):** 51.5. Services side of economy shows expansion, albeit at a slower rate than most of 2023.
- **Payrolls (Aug.):** 142K vs estimate of 165K. Downward revisions to June and July confirm that the job market is slowing. Unemployment rate: 4.2%

THIS WEEK

- **Consumer Price Index (Aug.):** 9/11
- **Producer Price Index (Aug.):** 9/12
- **U. of Mich. Sentiment (Sept.):** 9/13

S&P SECTOR RETURNS

