

# THE MARKET MEMO



## DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

August brought a bit of whiplash for investors.

Markets fell at the beginning of the month, caught in the ripples of an interest rate increase in Japan disrupting a significant currency trading strategy. This led to a brief, intense global selloff.

In the U.S., the incident was aggravated by a weak jobs report with unemployment rising from 4.1% to 4.3% – which remains historically low, it's worth noting. The report brought the U.S. into Sahm rule territory, a macroeconomic assessment which judges whether the economy is in recession based on unemployment rate increases. Additionally, several disappointing earnings releases created a sense of caution with investors over the health of the consumer.

“However, other data has been stronger, easing fears over the economy,” Raymond James Chief Investment Officer Larry Adam said. “For instance, retail sales for July were up a healthy 1% and the Consumer Price Index [CPI] showed that inflation is being tamed with three-month core CPI falling to an annualized rate of 1.6%. And the stage appears set for the Federal Reserve [Fed] to kick off an easing cycle.”

Toward the end of the month, Fed Chair Jerome Powell said “the time has come” for the Fed to adjust policy, a much-anticipated statement for those expecting interest rate cuts this year. Those remarks kicked off an equity market rally, with the S&P 500 ending the month up 2.3% and the Dow Jones Industrial Average hitting an all-time high.

An interesting dynamic developing in the S&P 500 is the subtle shift in market leadership. Defensive, interest-sensitive sectors like utilities, real estate and healthcare are at new highs, while the semiconductor group is down.

As we remain in the weakest seasonal period of the year, investors may expect to see some back-and-forth trading ahead. Economic data and actions from the Fed will remain key influences to watch.

We'll remain committed to the pursuit of your financial goals and thank you for your continued trust in our guidance. If you have any questions about his recap – or anything else – please don't hesitate to reach out.

Sincerely,

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