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PRIVATE WEALTH
MANAGEMENT

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Monthly Market Commentary

Well, the Labor Day Weekend is now in the rear-view mirror, which means it is the unofficial start of Fall. Fall is a special time of year where the weather is cooler, football is in action, kids are back to school, and pumpkin spiced lattes are available for the coffee lovers. Make sure to take advantage of all that Fall has to offer! Cheers!

After a rocky start to the month of August, markets broadly recovered from the selloff triggered by fears of a slowdown in the economy with the release of the jobs data. Markets are now concerned that the FED remains too tight as even the most lagging indicators like the labor market are also starting to flash a warning sign that the economy is weakening. Volatility has somewhat subsided from the sudden spike that we saw earlier in the month but remains elevated despite the signal from FED chair Powell at the Jackson Hole symposium, that the FED may be in an ideal place to start cutting rates.

We believe various factors globally are driving these underlying conditions in the current dynamics for various asset classes. Primarily, the economy continues to slow from above trend growth towards trend growth while inflation is slowing alongside but remains above a desired long-term rate of about 2%. As the consumer starts to show weakness with a slowdown in the labor market, it becomes a difficult environment for companies that are unable to pass on costs to consumers. This has an impact on revenue growth while it also puts pressure on margins which in turn acts as a feedback loop as companies right size and try to cut costs. The latest economic data corroborates this view with the latest ISM manufacturing index still contractionary at 47.2 with the new orders component at a multi-month low while prices paid reaccelerating meaningfully. Labor market data revised by the Bureau of Labor Statistics showed that 818K fewer jobs were created in the period between April 2023 through March of 2024 vs previously reported data over that period. This is somewhat backward looking, however, raises concern about the actual strength in the economy vs perceived in the reported data. Further, markets are somewhat concerned about the elections that are just two months away. Historically, periods close to elections are typically volatile with defensives leading the charge with heightened predominant hedging activity that may prevail until the event passes and will lead to opportunities that can be capitalized post.

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