

MONTHLY RECAP

AUGUST 2024

MONTHLY OBSERVATIONS

Early Carnage Followed by Sharp Recovery

Multiple catalysts triggered sharp risk-off moves in the equity markets to start August. Weaker than expected payroll readings, a slowing manufacturing sector, and AI/technology earnings concerns prompted a "growth scare" as markets questioned Fed monetary policy. In addition, the unwinding of the decades long yen-carry trade on the heels of hawkish-pivot by the Bank of Japan, sent the Nikkei into correction territory. Treasury rates were sharply lower as the S&P 500 fell more than 6%, small caps fell nearly 10% and the NASDAQ dropped 8%. However, the turbulence, which sent volatility to levels not seen since 2020, passed quickly as the market recovered throughout the rest of August, with most markets delivering monthly gains. Lower CPI readings were a notable driver of the risk-on recovery as it all but cemented an interest rate easing in September. A weaker dollar helped non-US developed equities outperform US large cap. Lower rates also provided a positive catalyst for income-generating asset classes - notably listed real estate and infrastructure - which outperformed the S&P 500 meaningfully for the second straight month.

Fed Forecasts a Change to Monetary Policy

Fed minutes from the FOMC's July meeting and Jerome Powell's Jackson Hole speech in late August pointed to near certainty of a rate cut in September. Cooling inflation levels and modest weakness in the labor market help buttress the case for an easing in monetary policy which held steady for the last year.

Harris Named Democratic Presidential Candidate

The Democratic National Convention nominated Vice President Kamala Harris as its candidate for president and Governor Tim Walz of Minnesota for vice president. They will oppose the Republican ticket of former president Donald Trump for president and Senator JD Vance from Ohio for vice president in the 11/5 presidential election.

COMMENTARY FROM ASSET MANAGERS

Bank Loan Manager

Technicals and fundamentals continue to hold up. Inventory remains limited with most of the issuance refinancing existing loans and fewer leveraged buyout deals happening. Companies are in good shape with many navigating the higher interest rate environment well, helping the default rate remain at comfortable levels.

Large Cap Growth Manager

Investor exuberance may be tempered in the second half of the year with the Fed's actions crucial to outcomes. The AI narrative will drive market direction but risks, such as a decline in GPU demand, remain.

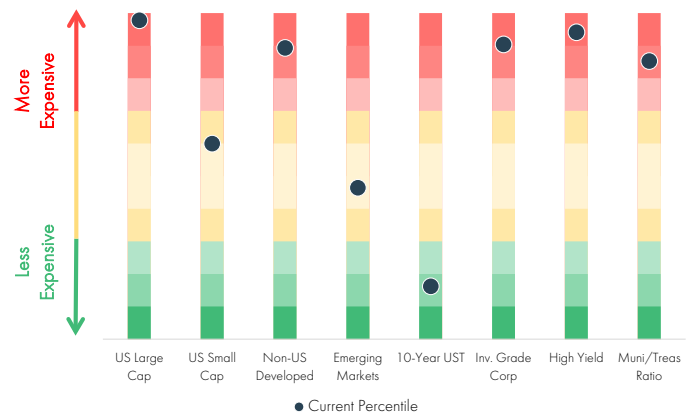
Municipal Fixed Income Manager

State and local governments are in a good spot fundamentally thanks to the money received during the pandemic. If there is an economic contraction or outright recession, municipalities should be able to absorb the brunt of the impact.

MARKET RETURNS - 08.31.2024

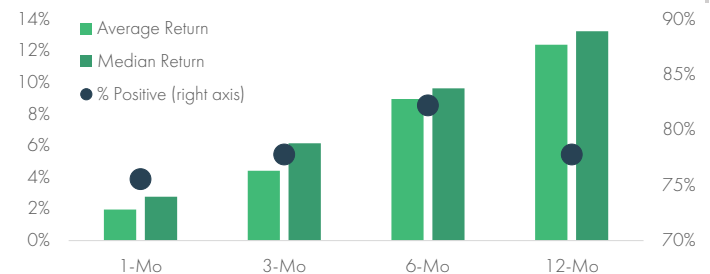
	1-Mo	QTD	YTD	2023	2022	2021
Equity						
S&P 500	2.4%	3.7%	19.5%	26.3%	-18.1%	28.7%
Nasdaq Composite	0.7%	0.0%	18.6%	44.6%	-32.5%	22.2%
Russell 1000 Growth	2.1%	0.3%	21.1%	42.7%	-29.1%	27.6%
Russell 1000 Value	2.7%	7.9%	15.1%	11.5%	-7.5%	25.2%
Russell 2000	-1.5%	8.5%	10.4%	16.9%	-20.4%	14.8%
MSCI EAFE	3.3%	6.3%	12.0%	18.2%	-14.5%	11.3%
MSCI Emerging Markets	1.6%	1.9%	9.5%	9.8%	-20.1%	-2.5%
Fixed Income						
Treasury	1.3%	3.5%	2.6%	4.1%	-12.5%	-2.3%
Municipal	0.8%	1.7%	1.3%	6.4%	-8.5%	1.5%
Aggregate	1.4%	3.8%	3.1%	5.5%	-13.0%	-1.5%
Investment Grade Corporate	1.6%	4.0%	3.5%	8.5%	-15.8%	-1.0%
High Yield Corporate	1.6%	3.6%	6.3%	13.4%	-11.2%	5.3%
FX						
US Dollar Index	-2.3%	-3.9%	0.4%	-2.1%	7.9%	6.7%
Real						
Real Estate	5.4%	12.9%	10.4%	11.5%	-25.1%	39.9%
Infrastructure	4.6%	9.1%	12.9%	5.8%	-1.0%	11.0%
Oil	-0.6%	-9.1%	2.0%	-10.3%	10.5%	50.2%
Gold	2.6%	6.9%	20.4%	12.8%	-0.7%	-4.3%

ASSET CLASS VALUATIONS - 08.31.2024



Asset class valuations are a percentile ranking based on monthly data going back to a common inception of 9/1/2006.

S&P 500 Returns Following 5% Pullbacks Since 1980



Historical experience shows that investors typically profit when buying the S&P 500 following a 5% sell-off. Since 1980, we count 45 instances of a 5% drawdown (excluding 2024). While past performance is not indicative of future returns, on average, the S&P 500 rose more than 12% in the 12 months following the drawdown, generating positive returns 78% of the time.

Source: Morningstar Direct, Bloomberg. See important information in the disclosures.

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SOURCES

Morningstar Direct as of 08.31.2024

Bloomberg as of 08.31.2024

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group .

DEFINITIONS

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BoFA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 9/1/2006. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE NR Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets NR Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BoFA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BoFA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.