

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned 2.43% and 2.18% respectively in August.
- ▶ Within the S&P 500, nine of the 11 sectors posted positive returns. The Consumer Staples sector was the best performer for the month, returning 5.94%. The second-best performing sector was Real Estate, which posted a return of 5.79%, while Energy was the worst performing sector, returning -1.70%.
- ▶ Positive returns were seen in larger capitalizations, with mid-caps (Russell Mid Cap Index) returning 2.03%, and large-caps (Russell 1000 Index) returning 2.37%, while small-caps (Russell 2000 Index) returned -1.50%. Value stocks outperformed growth stocks in large-caps, while growth outperformed in small- and mid-capitalizations during the month.
- ▶ According to FactSet Earnings Insight (as of September 6, 2024), the blended year-over-year (YoY) earnings growth for the S&P 500 in Q2 was 11.3%, marking the highest growth rate since 2021. For calendar year 2024, analysts revised estimates down slightly to a YoY earnings growth estimate of 10.1%.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 2.85%. Developed markets, represented by the MSCI EAFE Index returned 3.25%, supported by moderate returns in Europe (MSCI Europe Index) of 3.94%. Emerging markets (EM), as represented by the MSCI Emerging Markets Index, returned 1.61% in August. Both India (MSCI India Index) and China (MSCI China Index) performed in line with the index, returning 1.05% and 1.00%, respectively, for the month.
- ▶ Within the ACWI ex-U.S. Index, all 11 sectors posted positive returns. Healthcare was the best performing sector for the month, returning 6.29%, while Real Estate was the second-best performer, returning 4.84%. Materials was the worst performing sector, posting a return of 0.37%.

Fixed Income

- ▶ U.S. Treasury yields fell along the yield curve as markets reacted to the continued weakness in the labor market and the likelihood of rate cuts later in the year. On the shorter end of the yield curve, the yield on the 2-year fell 34 basis points (bps), and the 5-year fell 21 bps. Meanwhile, the 10-year U.S. Treasury yield fell 13 bps while the yield on the 30-year fell only 10 bps.
- ▶ The Bloomberg U.S. Aggregate Index (Aggregate) returned 1.44% in August. Investment-grade (IG) credit as a whole returned 1.55%, AAA-rated bonds returned 1.25%, AA-rated

bonds returned 1.55%, A-rated bonds returned 1.57%, and BBB-rated bonds returned 1.59%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index, saw a return of 1.63% during the month, while the Broad Treasury Index returned 1.31%.

Diversifying Assets

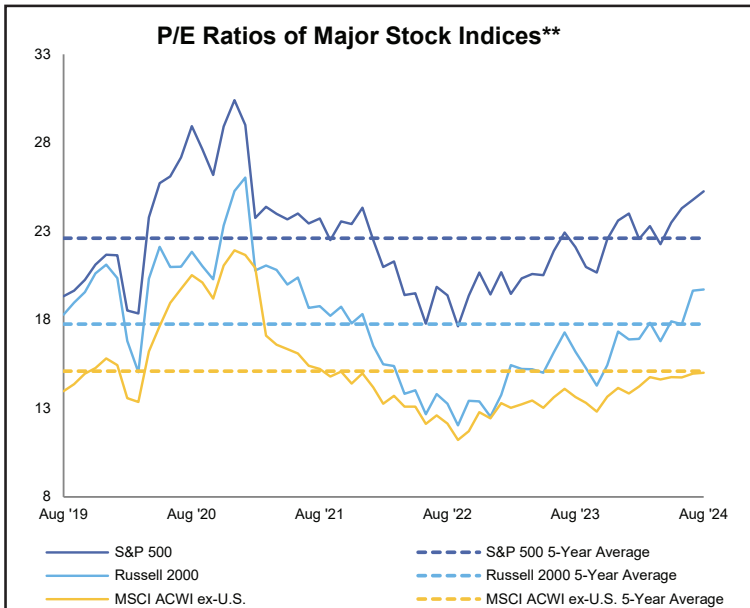
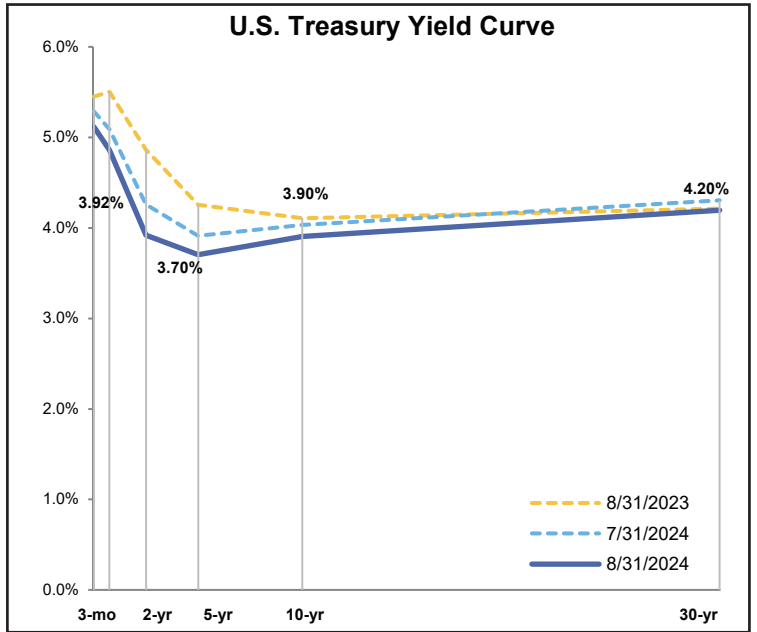
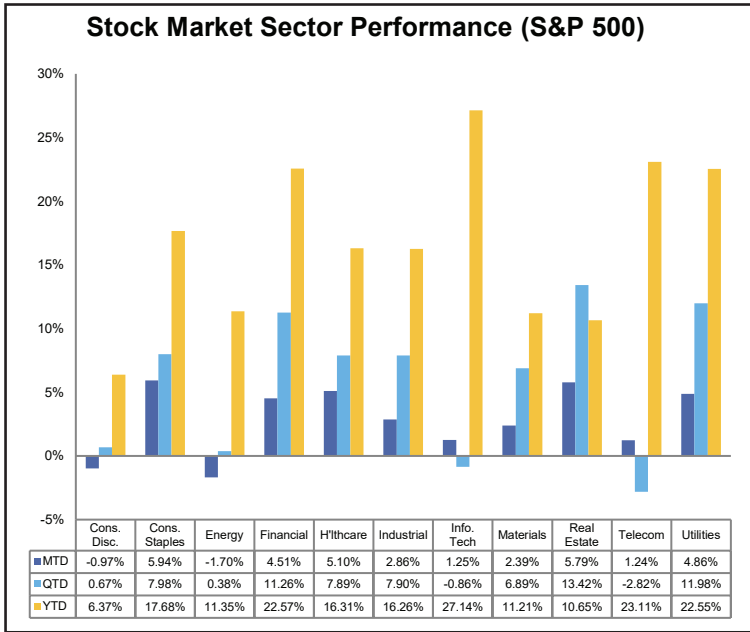
- ▶ During August, real estate investment trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index returned 6.39% and 6.41%, respectively. The Self-Storage sector did well during the month, while the Industrial sector was challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned 4.16% for the month.

Items to Watch

- ▶ U.S. manufacturing activity, as measured by the ISM U.S. Manufacturing PMI, missed estimates with a reading of 47.9 in August. The result signaled weak demand and marked the fifth straight month of contraction. The services sector expanded in August, as the ISM Services PMI registered 51.5, edging slightly higher from 51.4 the month before. Outside the U.S., services surveys showed mostly expansion as well, with the Eurozone and Japan both seeing readings above 50. The manufacturing sector saw a more mixed picture, with some markets such as the Eurozone experiencing continued contraction, while others such as India saw robust business activity.
- ▶ U.S. labor markets continue to show softness, though slightly less than July, as total non-farm payroll employment growth missed expectations, rising by only 142,000 in August. Revisions to previous months' reports brought the three-month average job growth figure down to 116,000. By comparison, the average monthly gain over the past 12 months was nearly double, at 202,000. Meanwhile, the unemployment rate remained nearly flat, falling a tenth of a percent to 4.2% and labor force participation remained unchanged. These readings support expectations for a Federal Reserve rate cut in September, although the size of the potential cut remains uncertain.
- ▶ Consumers remain resilient despite increasing concerns about the labor market. The University of Michigan Consumer Sentiment Index for current conditions rose 1.5 points to 67.9 in August, while consumer spending grew 0.4% month-over-month in July. To support this spending, consumers have reduced savings, with the personal savings rate falling to 2.9% in July, the lowest rate in over 15 years. We continue to monitor the health of the consumer and will watch for further signs of stress that may point to overall economic deterioration.

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	2.43%	3.67%	19.52%	27.12%
Russell 3000	2.18%	4.08%	18.18%	26.13%
Russell 2000	-1.50%	8.51%	10.38%	18.44%
Russell 1000	2.37%	3.86%	18.64%	26.58%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	2.85%	5.23%	11.22%	18.21%
MSCI EAFE	3.25%	6.28%	11.96%	19.40%
MSCI Emerging Markets	1.61%	1.92%	9.55%	15.07%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	1.44%	3.81%	3.07%	7.30%
Bloomberg Barclays Global Agg	2.37%	5.19%	1.86%	6.90%
Bloomberg Barclays U.S. HY	1.59%	3.58%	6.29%	12.48%
Alternatives and Diversifying	MTD	QTD	YTD	1 YR
MSCI U.S. REIT	6.39%	13.00%	12.05%	20.48%
FTSE NAREIT Index	6.41%	13.03%	12.88%	22.27%
MSCI World Core Infrastructure	4.16%	11.23%	9.91%	18.21%
Bloomberg Commodity	-0.38%	-4.86%	-2.59%	-9.38%

Economic Indicators			
Domestic	Current	Previous Month	
Unemployment Rate (%)	4.2%	4.3%	
Initial Jobless Claims (4 week average)	231.5 K	236.3 K	
CB Leading Economic Indicators	-0.6	-0.2	
Capacity Utilization	77.8%	78.4%	
GDP (annual growth rate)	3.0%	1.4%	
University of Michigan Consumer Confidence	67.9	66.4	
New Home Starts	739 K	668 K	
Existing Home Sales	4 MM	3.9 MM	
Retail Sales (YoY)	3.1%	3.3%	
U.S. Durable Goods (MoM)	9.9%	-6.9%	
Consumer Price Index (YoY)	2.9%	3.0%	
Producer Price Index (MoM)	0.5%	-0.4%	
Developed International*		6/30/2024	3/31/2024
Market GDP (annual rate)		1.5%	1.3%
Market Unemployment		4.6%	4.5%



Source: Bloomberg. Data as of August 31, 2024, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of June 30, 2024 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

The views expressed constitute the perspective of PFM Asset Management (PFMAM) at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFMAM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation.

PFM Asset Management LLC ("PFMAM") is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE