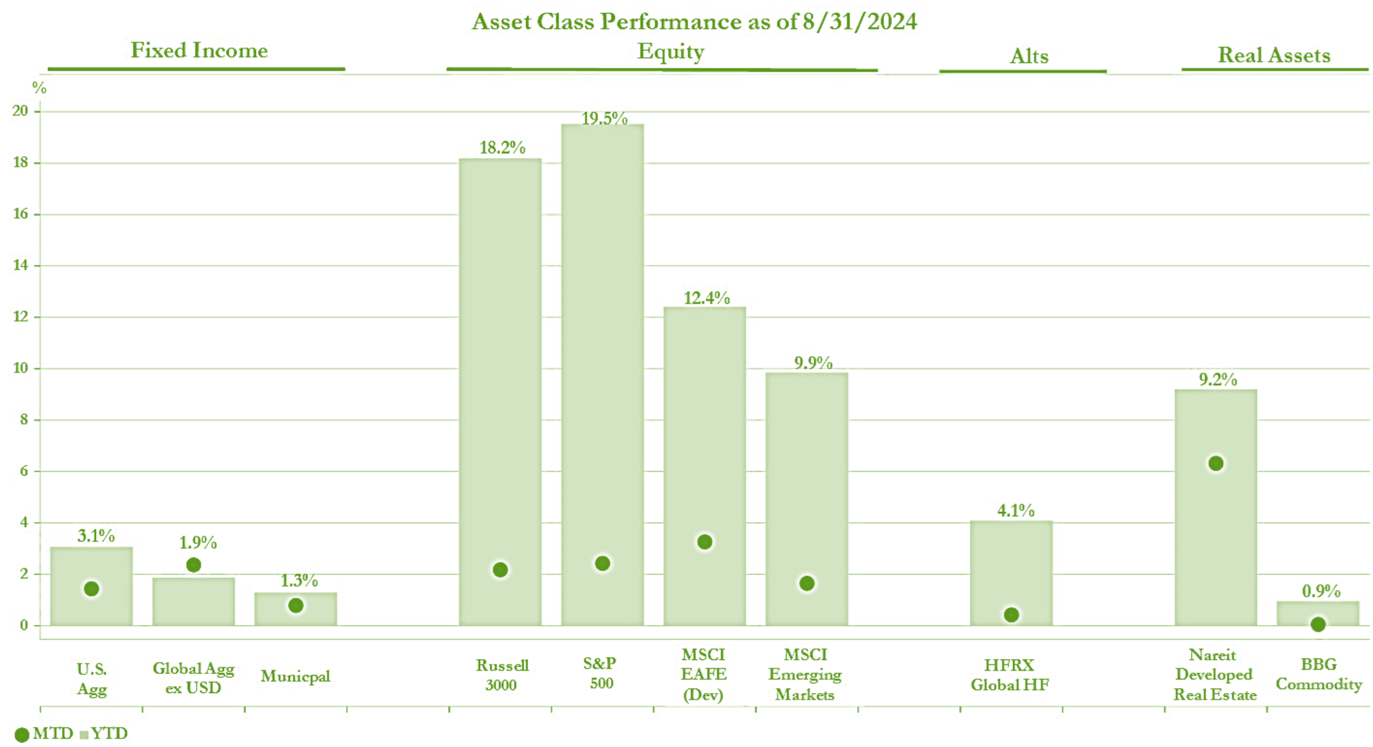
Key Takeaways

- After surprising to the upside by coming in at 2.8% versus an expected 2.0% in Q2, U.S. economic growth for the second quarter was revised even higher to 3.0%.
- The upward revision was driven by personal spending, a critical component of the consumer-driven U.S. economy, and was a welcome sign of strength amid ongoing concern that the U.S. was heading toward recession.
- A disappointing July jobs report, however, reignited fear that the Fed had waited too long to start cutting rates, resulting in damage to the economy and labor market that would inevitably lead to a slowdown in growth.
- Global equity markets were spooked and responded by plummeting during the first week of August, with the drawdown exacerbated by the unwinding of a popular carry trade due to Japanese rate hikes.
- The pain was short-lived, however, as major U.S. indices were able to finish the month positive and market breadth expanded, although the July rotation into small-caps stalled with the Russell 2000 dropping 1.5% for the month.
- One driver of the recovery was comments by Fed Chair Powell out of Jackson Hole which set the stage for a September rate cut and shifted the conversation to whether it would be 25 or potentially 50 bps.
- With additional FOMC meetings in November and December, markets are now pricing in four cuts totaling 100 bps by year end, though the Fed has stated that its decisions will remain data dependent.
- The labor market remains a source of concern, but inflation has continued to moderate as investors remain hopeful that the Fed can achieve a soft-landing.
- Within fixed income, Treasury yields fell throughout August as bond prices rose, while the yield curve remained inverted for a now record 26th consecutive month.
- Gold continues to climb, recently hitting a new all-time high. Oil has fallen significantly after topping $90 per barrel in April. Broad commodities remain mixed YTD, although the outlook remains positive with rate cuts on the horizon.



Source: Macrobond, Summit Financial, Bloomberg, MSCI, Russell Investment Group, S&P Global, HFR,FTSE

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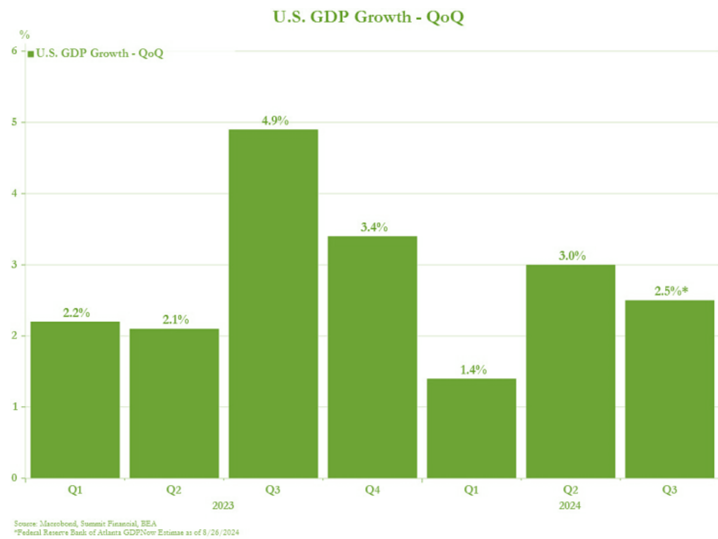
Economy

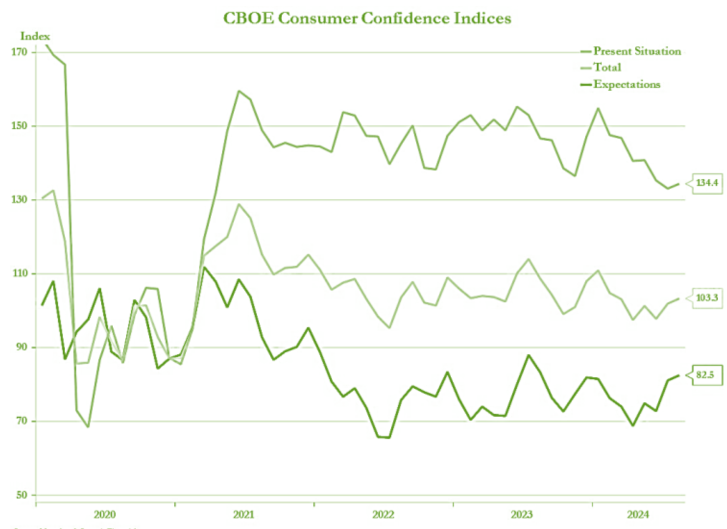
Q2 U.S. GDP Growth Revised Higher, Driven by Consumer Spending

- The U.S. economy grew at a 3.0% annualized rate in the second quarter according to the Bureau of Economic Analysis, revised 0.2% higher from its initial reading of 2.8%.
- The upward revision was driven by personal spending, the U.S. economy's main source of growth, which advanced 2.9% versus the prior estimate of 2.3% and offset weakness in other categories.
- After accelerating in the second half of 2023, growth has cooled so far this year and forecasters see further moderation for the remainder of 2024 as high borrowing costs continue to act as a headwind.
- With lower rates on the horizon, sectors heavily impacted by borrowing costs, like housing and manufacturing, may soon see some relief.



U.S. Consumer Confidence Hits Six-Month High Despite Labor Market Concerns

- The CBOE Consumer Confidence Index rose to 103.3 this month, its highest level since February, reflecting optimism over the U.S. economic outlook and suggesting the odds of a recession continue to decline.
- Compared to July, consumers were more positive about current and future business conditions, but more concerned about the labor market as the unemployment rate hit 4.3%, its highest level since October 2021.
- The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, improved to 82.5, it's highest level since August 2023 and the second straight monthly reading above its key threshold of 80. Readings below 80 can be interpreted as a signal of a forthcoming recession.



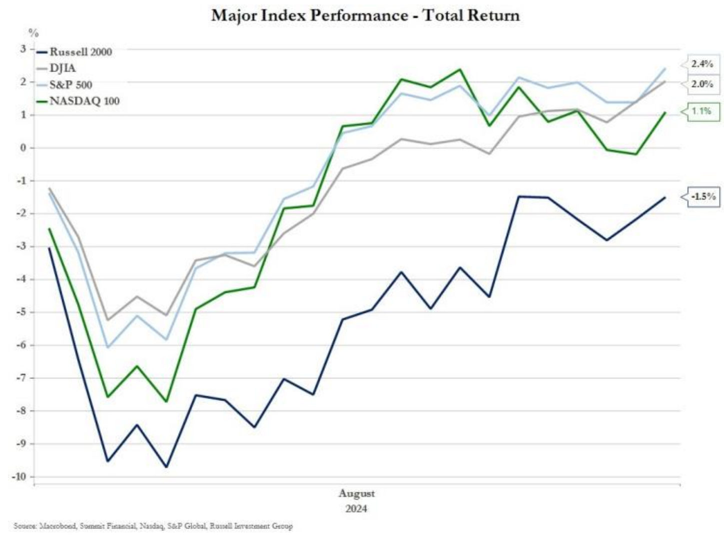
U.S. Dollar Strength Trending Downwards

- The greenback has fallen ~5% since mid-April and now sits at its lowest level in over a year.
- The main catalyst has been the expectation that the Federal Reserve will cut interest rates in September, making U.S. bonds less attractive and driving investor demand toward other currencies.
- Additionally, despite moderating recession fears, concern over the U.S. economy persists as the labor market cools and growth prospects remain uncertain.
- A weaker dollar will make imports more expensive for Americans, but U.S. exporters tend to see a boost as their products become cheaper relative to the global economy.

Markets

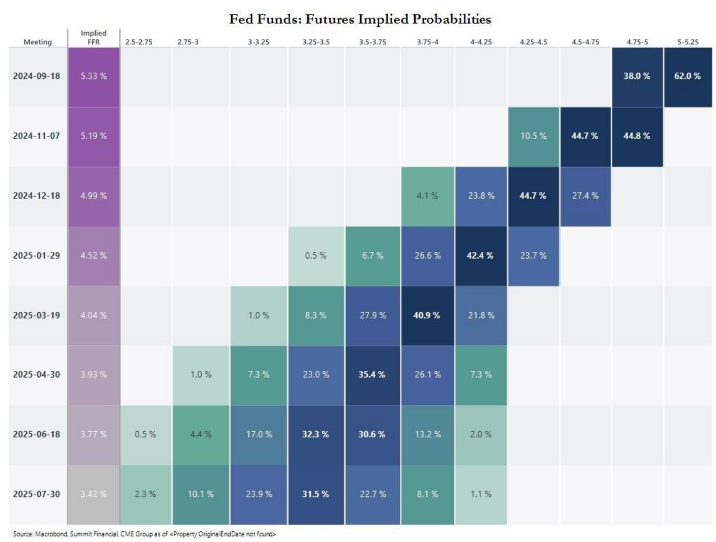
Stocks Finish Positive in August Despite Initial Volatility

- Renewed U.S. recession fears and the unraveling of a carry trade popular among hedge funds led to significant drawdowns across global equity markets during the first week of August, but all three major U.S. indices managed to finish positive for the month.
- The brief crash was widely considered an overaction to disappointing labor market data, and strong Q2 earnings, along with increased confidence in a September Fed rate cut, drove the ensuing recovery.
- Headlines labeled the Russell 2000's 10.5% July return as the beginning of a rotation out of large-cap tech, but that call now looks to have been premature as the Russell 2000 lagged in August.



Bonds Rise in August as Treasury Yields Fall

- Referring to interest rates, Fed Chair Powell's comment out of Jackson Hole that "the time has come for policy to adjust" shifted discussions to the size and path of the forthcoming rate cuts and contributed to a favorable month within fixed income.
- Treasury yields ended the month meaningfully lower, with the 2-year falling 0.38% and the 10-year dropping 0.18%, though the yield curve remained inverted for the 26th straight month.
- Credit markets also performed well as the outlook for corporate earnings has started to stabilize, with investment grade and high-yield bonds returning 1.9% and 1.6% respectively, while credit spreads tightened modestly and remain historically narrow.



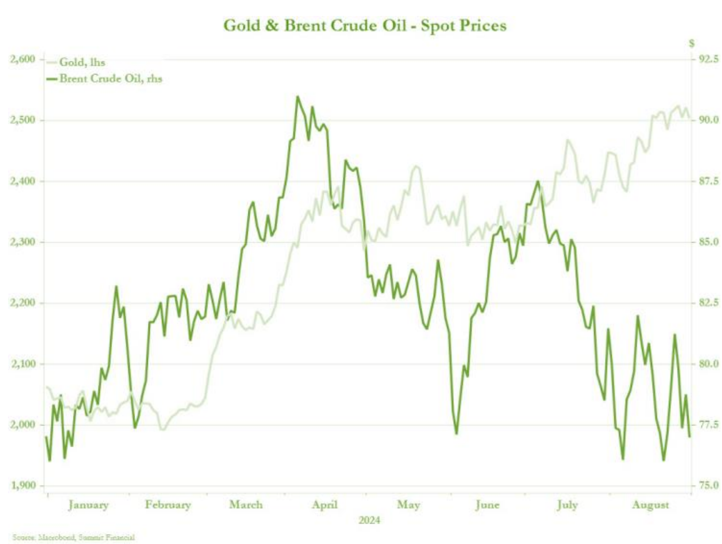
Fed Funds: Futures Implied Probabilities

Meeting	Implied FFR	2.5-2.75	2.75-3	3-3.25	3.25-3.5	3.5-3.75	3.75-4	4-4.25	4.25-4.5	4.5-4.75	4.75-5	5-5.25
2024-09-18	5.33 %										38.0 %	62.0 %
2024-11-07	5.19 %								10.5 %	44.7 %	44.8 %	
2024-12-18	4.99 %						4.1 %	23.8 %	44.7 %	27.4 %		
2025-01-29	4.52 %				0.5 %	6.7 %	26.6 %	42.4 %	23.7 %			
2025-03-19	4.04 %			1.0 %	8.3 %	27.9 %	40.9 %	21.8 %				
2025-04-30	3.93 %		1.0 %	7.3 %	23.0 %	35.4 %	26.1 %	7.3 %				
2025-06-18	3.77 %	0.5 %	4.4 %	17.0 %	32.3 %	30.6 %	13.2 %	2.0 %				
2025-07-30	3.42 %	2.3 %	10.1 %	23.9 %	31.5 %	22.7 %	8.1 %	1.1 %				

Source: Macrobond, Summit Financial, CME Group as of <Property OriginalEndDate not found>

Commodities Mixed for the Month and YTD

- Gold eclipsed $2,570 per ounce and reached a new all- time high after gaining 3.2% in August, continuing its impressive YTD run.
- The prospect of falling interest rates increases the appeal of gold versus interest-producing assets, while ongoing economic uncertainty and widespread geopolitical tensions have also made it attractive to more risk averse investors and continues to drive flows.
- Oil, impacted by tension in the Middle East and slowing Chinese demand, has been volatile throughout the year but has fallen over 15% to $77 per barrel after peaking at $91 in April.
- Commodities have broadly remained flat YTD, but the outlook remains positive as the sector has historically shown strength during rate cut cycle



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Label	Index	Index Description
U.S. Agg	Bloomberg U.S. Aggregate Bond Index	The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).
Global Agg ex USD	Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.
Municipal	Bloomberg Municipal Bond Index	The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
Russell 3000	Russell 3000 Index	The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.
Russell 2000	Russell 2000 Index	The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
S&P 500	S&P 500 Index	The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors.
MSCI EAFE (Dev)	MSCI EAFE Index	The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
MSCI Emerging Markets	MSCI Emerging Markets Index	The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
HFRX Global HF	HFRX Global Hedge Fund Index	The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry.
NAREIT Developed Real Estate	FTSE EPRA/NAREIT Developed Index	The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion.
BBG Commodity	Bloomberg Commodity Index	The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule.
CBOE Consumer Confidence Index	CBOE Consumer Confidence Index	The Consumer Confidence Index reports how consumers feel about the current situation of the economy and about where they feel it is headed. Conducted by the Conference Board, the survey consists of five questions about the present situation and three questions about their expectations for the economy in the future. It provides insight into how they spend and save, which helps businesses and economic leaders track inflation and output.
U.S. Dollar Index (DXY)	U.S. Dollar Index (DXY)	The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.