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Weekly Focus – Think About It

"Friendships born on the field of athletic strife are the real gold of competition. Awards become corroded; friends gather no dust."

—Jesse Owens, Olympic gold medalist

THE MARKETS

STOCK MARKETS SWELLED AND DROPPED LIKE WAVES AT THE OLYMPIC SURFING COMPETITION IN TAHITI

It is often said that markets hate uncertainty. There was a lot of uncertainty last week, and it showed. "The technology-heavy Nasdaq 100 Index soared 3 [percent] on Wednesday and then retreated almost that much on Thursday, before paring the decline at the close, for its biggest up-to-down rotation since May 2022. The S&P 500 Index sank 1.4 [percent], just one day after rallying 1.6 [percent]," reported Alexandra Semenova, Esha Dey, Carmen Reinicke, and Natalia Kniazhevich of *Bloomberg*.

High levels of market volatility reflect high levels of uncertainty. Here are three issues that have been top-of-mind for investors:

1. Will the United States experience a soft landing or dip into a recession?
Last week, investors became concerned that the U.S. economy may be slowing faster than anticipated. First, a key gauge showed that U.S. manufacturing activity slowed in July, reported Lucia Mutikani of Reuters. Then, on Friday, the U.S. unemployment rate rose to 4.3 percent as employers added fewer new jobs than economists had anticipated.

Investors were in a tizzy after seeing weaker-than-expected data. Expectations about the magnitude of a possible Federal Reserve rate cut in September changed—and then changed again. On Friday, the CME FedWatch Tool registered a 74 percent probability of a half-percentage-point rate cut at the Fed's September meeting, suggesting that the market thought the Fed was likely to begin easing rates too late and would have to lower aggressively. Markets took some calming breaths and, on Saturday, expectations had reversed. There was a 22 percent probability of a half-point cut in September and a 78 percent chance of a quarter-point drop.

2. **Will geopolitical issues escalate?**

There is a lot happening around the world that could affect financial markets. One concern is ongoing tensions in relations between the United States and China. In addition to tariffs and trade issues, there are allegations that China is providing support for Russian war efforts in Ukraine, and concerns about a possible conflict over Taiwan. Energy security also is a risk as wars in Ukraine and the Middle East have disrupted energy supplies in some regions of the world, according to to S&P Global and David McHugh and Matthew Daly of AP News.

3. Who will win the United States election?

There has been—and will continue to be—a lot of speculation about the outcome of the U.S. election and its potential effect on the economy and markets. The emotion that accompanies elections can make it difficult to remember that financial markets are generally efficient and adjust to changing risks. While election sentiment may sway stock markets over the shorter term, other factors—valuations, earnings, and the business cycle—also are important," reported Karishma Vanjani of *Barron's*.

Last week, major U.S. stock indices moved lower with the Nasdaq Composite Index dropping into correction territory as it fell by about 10 percent. The U.S. Treasury market rallied as the yield on the benchmark 10-year Treasury fell to its lowest level since last December, reported Pia Singh and Hakyung Kim of CNBC.

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Data as of 8-2-24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.1%	12.1%	18.5%	6.8%	12.8%	10.7%
Dow Jones Global ex-U.S.	-1.7	2.7	6.4	-2.6	3.6	1.6
10-year Treasury Note (Yield Only)	3.8	N/A	4.1	1.2	1.9	2.5
Gold (per ounce)	3.5	18.8	27.0	10.9	11.4	6.7
Bloomberg Commodity Index	-1.3	-4.0	-9.8	-0.4	4.3	-3.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. *Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.*

THE OLYMPIC BONUS

Before 1972, only amateur athletes could compete in the Olympics. For example, in 1913, Jim Thorpe's Olympic titles were stripped from him because Thorpe had been paid to play semi-pro baseball for two seasons. (Eventually, his gold medals were reinstated.)

Olympic amateurism rules became less stringent during the latter decades of the 20th century and, by the 1990s, the rules were mostly eliminated. Today, athletes from many countries receive a bonus if they earn a spot on the Olympic podium. For example, the United States awards bonuses of $38,000 for a gold medal, $23,000 for silver, and $15,000 for bronze. Many countries offer far larger bonuses, reported Lee Ying Shan of CNBC. Here are a few:

- Hong Kong, which has won 13 Olympic medals in total (when this was written), pays a bonus of 6 million Hong Kong dollars (~US $768,000) for a gold medal, HK$3 million for silver (~US $384,000), and HK$1.5 million for bronze (~US $192,000).

- Singapore, which has won five Olympic medals in total (when this was written), pays a bonus of 1 million Singaporean dollars for a gold medal (~US $745,000), SG$500,000 for silver (~US $373,000), and SG $250,000 for bronze (~US $186,000).

- Indonesia, which has won 37 Olympic medals in total (when this was written), pays a bonus of 5 billion Indonesian rupiah for a gold medal (~US $300,000), Rp2.5 billion for silver (~US $150,000), and Rp1.2 billion for bronze (~US $75,000).

Other countries that offer a triple-digit U.S. dollar bonus for gold include Israel, Kazakhstan, Malaysia, and Spain.

You may not be an Olympian, but you can reward yourself for your hard work by saving and investing for the future. If you would like to learn more, get in touch.

Best regards,

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Sources:

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

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