

August Market Update

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Market Update

Stocks remained strong in July, despite the Fed raising interest rates during the last week of the month, which we will get to in a bit. Below are the July returns for popular benchmarks that investors track (Data provided by Y-Charts & Commonwealth Financial Network):

- S&P 500 Index: +3.11%
- Dow Jones Industrial Average: +3.35%
- Nasdaq Composite Index: +4.05%
- Russell 2000 Index: +6.06%
- S&P Target Risk Moderate Index: +1.43%

Last Wednesday, the Federal Reserve raised rates by .25% to a target range of 5.25% - 5.50%. Investors will be wondering if this is the last rate hike during this cycle and for the year. Either way, the stock market has a vast history of moving up and to the right during rising interest rate cycles and falling interest rate cycles. We are in the camp that the market will do well the rest of the year, regardless of which direction rates go from here. Below is a chart that outlines the interest rate probabilities from now through 2024.

MEETING PROBABILITIES													
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575	575-600	600-625
7/26/2023				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	96.5%	3.5%	0.0%	0.0%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	79.1%	20.3%	0.6%	0.0%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	59.1%	35.1%	5.6%	0.2%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.1%	56.6%	32.1%	5.0%	0.1%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	22.3%	48.8%	23.4%	3.5%	0.1%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	12.3%	35.8%	35.9%	13.3%	1.8%	0.0%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	11.0%	33.0%	35.9%	15.9%	3.1%	0.2%	0.0%
6/19/2024	0.0%	0.0%	0.0%	0.0%	0.4%	5.3%	20.7%	34.3%	27.0%	10.2%	1.8%	0.1%	0.0%
7/31/2024	0.0%	0.0%	0.0%	0.3%	4.2%	17.1%	31.1%	28.7%	14.2%	3.8%	0.5%	0.0%	0.0%
9/25/2024	0.0%	0.0%	0.2%	3.4%	14.4%	28.2%	29.2%	17.2%	6.0%	1.2%	0.1%	0.0%	0.0%
11/6/2024	0.0%	0.2%	2.6%	11.8%	24.9%	29.0%	20.1%	8.7%	2.4%	0.4%	0.0%	0.0%	0.0%
12/18/2024	0.1%	1.8%	8.6%	20.4%	27.6%	23.1%	12.6%	4.5%	1.1%	0.2%	0.0%	0.0%	0.0%

Source: CME FedWatch Tool

Growth sectors such as technology, communication services, and consumer cyclical have dominated the leaderboard so far this year. We will be watching to see if this leadership continues through year-end or if we get some sort of rotation into more value-oriented market areas.

Sector Snapshot	7/25/23
Sector	YTD Return
Technology	44.03%
Comm. Services	37.90%
Consumer Cyclical	33.61%
Industrials	12.56%
Materials	11.11%
Real Estate	6.50%
Financials	4.40%
Consumer Defensive	3.02%
Health Care	0.82%
Energy	0.35%
Utilities	-1.47%

S&P 500 Sector Weights*	1/17/23
Sector	Weight
Technology	28.73%
Health Care	13.55%
Financials	12.28%
Consumer Cyclical	10.69%
Industrials	8.37%
Comm. Services	8.23%
Consumer Defensive	6.60%
Energy	4.18%
Utilities	2.63%
Real Estate	2.50%
Materials	2.25%

Source: YCharts

Energy, for example, was a leader throughout 2022 but has spent all of 2023 at the bottom of the pack. However, Energy is at a critical inflection point from a technical standpoint. The graphic below shows the Energy Sector (XLE) relative to the Technology Sector (XLK).



When this line is going up, energy is outperforming technology, and when this line is going down, energy is underperforming technology. As you can see, this relative chart is at a logical level where energy could start another run higher.

We will keep an eye on this idea of "rotation" into different market sectors and make adjustments to client portfolios as necessary. One of my favorite quotes about the market comes from the legendary market technician, Ralph Acampora, CMT:

" Rotation is the lifeblood of a bull market."

As always, don't hesitate to reach out to our team with any questions you may have.

Regards,
 Mark McEvily

Chief Investment Officer

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Special Holiday Hours

- Our office will be closing early on Friday, September 1st. We will be in the office from 9:00 am to 12:00 pm. From 12:00 pm to 4:00 pm, you can reach us remotely via our office phone.
- Our office will be closed Monday, September 4th, in observance of Labor Day.

Our growth allows us to advise more clients!

We have added amazing new hires to the team and are even increasing our physical office footprint! This growth equips JWM with all the tools to allow us to advise more clients, while maintaining the premium quality of service we pride ourselves on! We would greatly appreciate your client referrals. Let us care for those you care about!

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