Market Commentary

August 2023

- Stocks pulled back in August, with broad declines across all sectors except Energy.
- Positive U.S. economic data led to increased optimism for a soft landing.
- Strong economic data may also mean the Fed keeps rates higher for longer, which drove the 10-year Treasury yield up and put pressure on stocks.

MARKET RETURNS AS OF JULY 31, 2023[1]

	August %	QTD %	YTD %	1 Year %	3 Year %	5 Year %
S&P 500 TR	-1.59	1.57	18.73	15.94	10.53	11.12
DJ Industrial Average TR	-2.01	1.36	6.37	12.58	9.09	8.31
NASDAQ Composite TR	-2.05	1.94	34.88	19.85	6.86	12.59
Russell 2000 TR	-5.00	0.81	8.96	4.65	8.13	3.14
MSCI EM GR	-6.13	-0.22	4.86	1.69	-1.01	1.36
MSCI EAFE GR	-3.82	-0.70	11.35	18.55	6.58	4.65
Bloomberg US Agg Bond TR	-0.64	-0.71	1.37	-1.19	-4.41	0.49

MARKETS

Despite a late-August rally, the S&P 500 Index closed out its worst month since February, down 1.59%, while the Nasdaq had its worst month of 2023, falling 2.05%. Seasonality may be partially to blame, with the end of summer often marking the most difficult time for U.S. stocks.

Stock declines were broad, with energy stocks being the only positive equity sector. Energy was supported by news that Russia agreed to further OPEC+ cuts and Saudia Arabia is expected to prolong their recent oil cuts. The cartel cited concerns about the slowing Chinese economy and the impact it may have on global markets as a potential reason for why they are actively reducing supply of the commodity.

THE FED AND RATES

Markets expect the Fed to leave the Federal Funds Rate in the 5.25%-5.50% range at its September meeting but it is still up for debate as to what the Fed will do at their remaining meetings of 2023. In August comments, Fed Chairman Jerome Powell suggested that the central bank could raise interest rates further. The 10-year U.S. Treasury yield hit an *almost* 16-year high during the month.

While the consumer price index (CPI) is closely approaching the Fed's target rate of 2%, climbing 3.2% year over year in July, the core CPI figure remains elevated, rising 4.7% over the same time period. The August CPI data is scheduled for release on September 13, and the next Federal Open Market Committee (FOMC) meeting will be held on September 19 and 20.

WHAT'S NEXT?

- **Keep your eye on the horizon.** Over the short term there is a wide range of possible outcomes, and we may see continued volatility. However, patience is a virtue in investing. Over the long-term markets have historically proven their ability to deliver positive returns.
- **Stay diversified.** Notwithstanding positive absolute returns for the year, we acknowledge there is still a significant dispersion between major indices and sectors. Resist the urge to "un-diversify" and chase returns of a few mega names.
- **Start preparing for the end of the year.** It's never too early to meet with your advisor to make sure you are on track and getting ready for next year's tax season.

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FOOTNOTES:

Past performance is no guarantee of future returns.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

The information here is not intended to constitute an investment recommendation or advice.

Sources:

1. Data from Morningstar. Returns over one year are annualized.

Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index.

DirectWealth
ADVISORS

(913) 222-1460 | 8900 Indian Creek Parkway, Bldg. 6, Suite 220, Overland Park KS 66210