CBIZ ON THE MARGIN

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August 2024 Recap

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PRELUDE

During August, I watched my dad play one of his best rounds of golf this year. His round started off precariously enough, as he double bogeyed two of the first three holes. However, he found his swing midway through the round and rallied, parring or birdying the final three holes to finish with his second-best score of the 2024 season. Coincidentally, global markets followed a similar course during August. Global equity markets sold off sharply to start the month amid growing concerns about a worse-than-expected economic slowdown in the U.S. However, they recovered throughout the remainder of August as investors' expectations for an increasingly dovish Fed grew. When all was said and done, nearly every global asset class finished the month in positive territory.

GLOBAL EQUITY

While global equities moved mostly higher in August, their path to positive returns was turbulent. Through the first three trading days of the month, most major equity indexes fell between -5.1% and -9.5% cumulatively, as a barrage of weaker-than-expected U.S. economic data spooked investors. During this period, U.S. large cap growth stocks were among the biggest laggards as six of the Magnificent Seven companies generated negative returns. U.S. small cap companies also struggled amid concerns about how their more domestically focused businesses would fare in an economic slowdown. Despite the scary start to August, U.S. equities rallied broadly throughout the rest of the month. Large cap value stocks were the best performers during August and outpaced their growth counterparts for the second consecutive month as the Russell 1000 Value returned +2.7%. Consumer Staples was the best-performing sector for the month as retail giant Walmart drove the sector higher. The company posted better-than-expected quarterly results, benefiting from consumers' ongoing pursuit of more reasonably priced goods and services.

TABLE 1: **Global Equity**	AUG	QTD	YTD	1 YR
Dow Jones Industrial Average	2.03	6.64	11.75	22.06
S&P 500 Index	2.43	3.67	19.53	27.14
Russell 2000	-1.49	8.51	10.39	18.47
Russell 1000 Growth	2.08	0.35	21.12	30.75
Russell 1000 Value	2.68	7.93	15.08	21.15
MSCI ACWI USD	2.54	4.19	15.97	23.44
MSCI EAFE USD	3.25	6.28	11.96	19.40
MSCI EM USD	1.61	1.92	9.55	15.07
MSCI ACWI ex US USD	2.85	5.23	11.22	18.21

Source: Bloomberg, as of 8/31/2024. Past performance does not guarantee future returns.

International markets also generated positive returns in August as the U.S. Dollar weakened broadly for the second straight month and served as a tailwind to international equity returns. Developed international markets, as represented by the MSCI EAFE Index, returned +3.3% for the month. European stocks were among the leading contributors to performance in August as several economic data releases fueled investor hopes for interest rate cuts from both the Bank of England and the European Central Bank in the coming months. Emerging markets lagged their developed market counterparts again in August but still moved higher, as the MSCI EM Index returned +1.6% behind strong Brazilian equity returns. Taiwanese stocks also boosted emerging market returns as Taiwan Semiconductor Manufacturing Co rose +3.9% during the month. The company is the largest holding in the MSCI EM Index at a roughly 9.5% weight, leading its performance to often have a meaningful impact on that of the overall index.

FIXED INCOME

The U.S. Treasury yield curve shifted downward for a fourth consecutive month in August, aiding fixed income returns as the Bloomberg US Aggregate returned +1.4%. The fall in U.S. Treasuries was again more pronounced on the short end of the curve amid growing anticipation for a more dovish Fed following a series of weaker-than-expected economic data releases and a global equity market selloff early in the month. High yield spreads ultimately compressed again during the month, propelling the asset class to positive returns. High yield bonds remain among the best performers in fixed income on a year-to-date basis amid persistent spread tightening in 2024.

TABLE 2: **Fixed Income**	AUG	QTD	YTD	1 YR
Bloomberg US Aggregate	1.44	3.81	3.07	7.30
Bloomberg 1-3 Yr Gov/Credit	0.91	2.11	3.51	6.25
Bloomberg Treasury 5-7 Yr	1.25	3.83	3.24	6.88
Bloomberg Investment Grade Corp	1.55	3.94	3.46	8.98
Bloomberg High Yield Corp	1.63	3.61	6.29	12.55
JPMorgan EMBI Global Diversified	2.32	4.23	6.67	13.42

Source: Bloomberg, as of 8/31/2024. Past performance does not guarantee future returns.

Following weaker-than-expected job market data and a rise in the unemployment rate, as well as a sharp selloff in global equities, the market increased its expectations for the number of Fed rates cuts in 2024 from nearly three at the beginning of August to four by the end of the month. Investors now expect the first 0.25% Fed rate cut in 2024 to come in September, with the possibility of three more coming before the end of the year. While we think four 0.25% rate cuts by year end seems overly optimistic, we eagerly await the outcome from the Fed's upcoming September meeting, where many investors expect to see the first Fed rate cut since 2020.

POSTLUDE

August's conclusion marks the end of summer vacation for many students here in the Midwest. As they return to school, their schedules often fill up with homework, sports, and other extracurricular activities. This year, we think the same may be true for global markets as we enter the fall months. Over the next three months, there is a flurry of central bank, corporate, and political activity that we expect will impact markets. Some highlights of such activity include: the outcome of the September Fed meeting, where the Fed may embark on another path of cutting interest rates, the beginning of quarterly corporate earnings season in October, and the highly anticipated U.S. presidential election in November. As we progress through these events, we expect global market returns to remain choppy. However, July and August reminded investors that near-term volatility does not automatically imply negative returns, as returns in July and August were largely positive. We continue to advise our clients on the importance of remaining invested, even in turbulent periods like those we expect ahead, as the actions investors take during such periods can have a meaningful impact on long-term investment success or failure.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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