BAYSTATE FINANCIAL

Capital Markets Snapshot

Courtesy of Baystate Financial

Week ending September 6, 2024

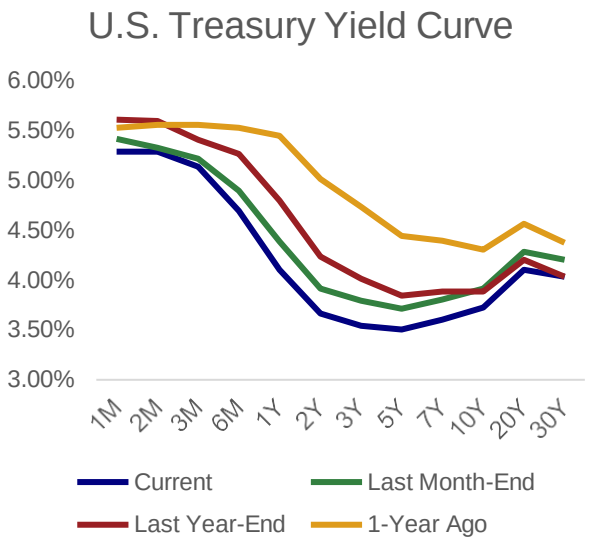
Last week, the U.S. labor market was a key focus for investors, with the August nonfarm jobs report confirming signs of a weakening labor market. The unemployment rate dropped from 4.3% to 4.2%, but new jobs added showed a clear softening trend. Markets reacted to the soft jobs report with a continued sell-off, leading to a 4% decline in the S&P 500 from recent highs. The Federal Reserve's potential interest rate cuts became a focal point, with the probability of a 0.50% rate cut increasing due to the softening economic data. Treasury yields moved lower, and the yield curve un-inverted, reflecting the weaker labor market data and potential Fed rate cuts. Crude oil prices hit new lows for the year, driven by fears of a demand slowdown globally, particularly in China. Overall, markets have taken on a more defensive posture, with sectors like consumer staples and utilities outperforming amid economic uncertainty.

Fixed Income Markets Overview

- Treasury yields dropped across the curve to the lowest level of rates in the past year. Short-term rates (< 1 year) saw the least impact, while intermediate rates (1-5 years) saw the biggest reductions.
- The yield curve continues to un-invert as the 10-year Treasury closed the week with a higher yield than the 2-year for the first time in more than two years. Short-term rates remain high as we await the beginning of the Federal Reserve's rate cutting cycle.
- Mortgage rates were stable last week as markets awaited the release of the August jobs report. Despite rates falling over the summer, home sales have been sluggish. However, refinancing activity has ticked up as recent homeowners seek to take advantage of declining rates to lower their monthly payments.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	0.5%	4.1%	1.4%	1.6%
Core Plus	Intermediate Govt/Credit	0.9%	4.5%	0.0%	1.2%
	International Aggregate	1.2%	3.1%	-3.7%	-1.1%
	US Aggregate	1.3%	4.4%	-1.6%	0.2%
	US Treasury	1.4%	4.0%	-2.0%	-0.3%
	US TIPS	0.6%	3.9%	-1.0%	2.2%
	US Corporate	1.3%	4.8%	-1.5%	1.0%
	US Corporate High Yield	0.2%	6.5%	2.6%	4.5%
Other	Emerging Markets Aggregate	0.5%	6.8%	-1.1%	1.0%
Muni	US Municipals	0.5%	1.8%	-0.3%	1.2%
	US Municipals High Yield	0.6%	7.1%	0.7%	3.0%

Source: Bloomberg as of September 6, 2024



Source: Bloomberg and U.S Treasury as of September 6, 2024

Interest Rates (%)

Date	9/6/2024	8/30/2024	12/29/2023	9/6/2023
Federal Funds Rate	5.28%	5.41%	5.60%	5.52%
3 Month Treasury	5.13%	5.21%	5.40%	5.55%
6 Month Treasury	4.69%	4.89%	5.26%	5.52%
2 Year Treasury	3.66%	3.91%	4.23%	5.01%
5 Year Treasury	3.50%	3.71%	3.84%	4.44%
10 Year Treasury	3.72%	3.91%	3.88%	4.30%
30 Year Treasury	4.03%	4.20%	4.03%	4.37%
US Aggregate	4.21%	4.42%	4.53%	5.16%
US Corporate	4.76%	4.94%	5.06%	5.81%
US Corporate High Yield	7.24%	7.30%	7.59%	8.56%
US Municipal	3.37%	3.45%	3.22%	3.82%
US Municipal High Yield	5.23%	5.29%	5.57%	5.89%

Spreads Over 10-Year US Treasuries

Date	9/6/2024	8/30/2024	12/29/2023	9/6/2023
30 Year Treasury	0.31%	0.29%	0.15%	0.07%
US Aggregate	0.49%	0.51%	0.65%	0.86%
US Corporate	1.04%	1.03%	1.18%	1.51%
US Corporate High Yield	3.52%	3.39%	3.71%	4.26%
US Municipal	-0.35%	-0.46%	-0.66%	-0.48%
US Municipal High Yield	1.51%	1.38%	1.69%	1.59%

Source: Bloomberg and U.S. Treasury as of September 6, 2024

Equity Markets Overview

- All three major domestic indices fell last week. The tech heavy Nasdaq took it the worst with a 5.8% pullback. The S&P 500 was down 4.2%, while the Dow Jones won the week only falling 2.9%. International markets, both developed and emerging, held up better than U.S. markets likely given the lesser impact of US jobs reports on their markets.
- Most sectors saw a loss for the week, with Consumer Staples and Real Estate being the only sectors to post a slight positive return of 0.6% and 0.15%, respectively. Technology and Energy were the hardest hit seeing losses of 7.1% and 5.6%. The remaining sectors all fell between 2% to 5% for the week.
- From a size perspective, large cap stocks lost 4.2% and held up slightly better than their mid- and small cap peers, which fell 4.9% and 5.2%, respectively. When looking at style performance, we saw value outperformed growth across all market caps, with the largest outperformance in the large cap space.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	-4.3%	13.7%	7.5%	14.2%
Large-Cap	S&P 500	-4.2%	14.5%	7.8%	14.5%
	S&P 500 Growth	-5.5%	17.8%	4.7%	15.3%
	S&P 500 Value	-2.6%	11.1%	10.7%	12.7%
Mid-Cap	S&P Midcap 400	-4.9%	6.8%	4.2%	10.7%
	S&P Midcap 400 Growth	-5.3%	9.4%	2.7%	10.2%
	S&P Midcap 400 Value	-4.4%	3.9%	5.5%	10.8%
Small-Cap	S&P Smallcap 600	-5.2%	2.8%	1.3%	9.3%
	S&P Smallcap 600 Growth	-6.0%	5.0%	0.2%	9.1%
	S&P Smallcap 600 Value	-4.5%	0.4%	2.2%	9.1%
Int'l.	MSCI ACWI ex-USA	-2.6%	8.3%	0.6%	6.5%
	MSCI EM	-2.2%	7.1%	-4.2%	3.8%

Source: Bloomberg as of September 6, 2024

Alternative Markets Overview

- Oil prices fell to their lowest levels since March 2023 resulting from reduced global demand and the weaker than expected August job data suggesting a softening of the US labor market.
- Gold closed the week nearly flat after a pullback from near record highs on Friday, as the August jobs report has increased speculation the Federal Reserve may pursue a larger rate cut.
- Bitcoin continues to see its price fall off its all-time highs with an almost 10% slide for the week, which isn't surprising given the pullback in most markets. Bitcoin ETFs saw their largest daily outflows since May with more than $287 million exiting the 11 US spot ETFs on Tuesday.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	-4.7%	0.4%	9.4%	7.0%
Gold	-0.1%	21.9%	12.0%	10.7%
FTSE All Equity NAREIT	0.0%	10.7%	0.1%	4.5%
Bitcoin	-9.3%	27.5%	4.7%	38.9%
Ethereum	-11.3%	-3.5%	-13.4%	67.4%

Source: Bloomberg as of September 6, 2024



Upcoming Week

- It will be a lighter week for earnings releases as we near quarter-end but keep an eye out for reports from Dave & Buster's Entertainment and Adobe.
- While many are awaiting the outcomes of the September 17-18 Federal Reserve meeting, this week's noteworthy economic releases include inflation data, CPI (Tuesday) and PPI (Thursday), consumer data, Consumer Credit (Monday) and Consumer Sentiment (Friday), as well as the Treasury Budget and weekly unemployment claims data (Thursday).

Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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