

Independence Asset Advisors

MONTHLY MARKET REVIEW – August 2024

	August 2024	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	2.43%	19.53%	27.14%	9.38%	15.92%	12.98%
U.S. Small Cap Equities Russell 2000	-1.49%	10.39%	18.47%	0.60%	9.68%	8.03%
Energy Infrastructure Equities Alerian U.S. Midstream	3.61%	30.44%	36.92%	28.70%	17.28%	5.58%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	6.36%	11.97%	21.13%	1.52%	4.43%	6.11%
Global Equities MSCI All Country World Index	2.54%	15.97%	23.44%	5.77%	12.14%	8.78%
International Developed Equities MSCI EAFE	3.25%	11.96%	19.40%	4.13%	8.61%	5.20%
Emerging Market Equities MSCI Emerging Markets	1.61%	9.55%	15.07%	-3.06%	4.79%	2.56%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	1.44%	3.07%	7.30%	-2.11%	-0.04%	1.64%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	0.79%	1.30%	6.09%	-0.47%	1.02%	2.43%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	1.63%	6.29%	12.55%	2.55%	4.46%	4.65%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.63%	5.78%	9.86%	6.44%	5.69%	4.72%

MARKET UPDATE

- Markets recovered after falling more than 6% during the first week of the month.
- The selloff was driven by weaker U.S. economic data and a 0.25% interest rate hike by the Bank of Japan.
- The recovery was the result of investors pricing in more aggressive policy easing by the Federal Reserve.
- U.S. large cap stocks gained 2.4%, with “value” outperforming “growth” by 0.8% (S&P 500).
 - “Value” has outperformed “growth” by 7.0% over the past two months.
- The S&P 500 Index ended August at a new record high of 5,648 amid broadening earnings growth outside of the technology sector.
- Non-U.S. equity results were positive, supported by the prospect of lower interest rates and solid Q2 earnings results.
- Fixed income categories were all positive, with bond yields declining across the yield curve.
- Investment grade and high yield bond yields decreased in July to 4.4% and 7.3%; loans yielded 9.8%.
- The yield curve inversion between 2-year and 10-year Treasuries narrowed to 0.00% (2 & 10-year at 3.9%).

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, CME Group, AJO

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> U.S. economic growth in the second quarter came in much higher than expected, a 3.0% q/q, compared to 1.4% in Q1. Consumer spending was revised upwards to 2.9% while business spending remained strong at 7.5%.
Profits	<ul style="list-style-type: none"> 2Q24 earnings season is nearly complete with 98% of companies reporting. Earnings Per Share (EPS) is currently tracking at \$60.55, representing growth of 11.1% y/y and 7.3% q/q.
Jobs	<ul style="list-style-type: none"> U.S. job gains slowed significantly in July, growing by just 114,000. <ul style="list-style-type: none"> The August projection shows 163,000 new jobs added in August. The unemployment rate rose 0.20% to 4.3%. Wage growth rose by 0.2% m/m and 3.6% y/y, the slowest pace since 2021.
Inflation	<ul style="list-style-type: none"> July Personal Consumption Expenditures Index (PCE) – Fed's Preferred Gauge: <ul style="list-style-type: none"> Headline: 2.5% y/y increase. Core: 2.6% y/y increase.
Interest Rates	<ul style="list-style-type: none"> The Fed voted to keep interest rates at 5.25%-5.50% when it met in July. The FOMC year-end estimated policy rate is 5.10%. The market expectation is lower at 4.36%.

CANADA:

- The U.S. dollar index (DXY) **decreased** 2.3% in August and **increased 0.4%** year-to-date (see chart below), while the U.S. dollar **strengthened** 1.9% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.35**.
- The Bank of Canada's policy interest rate was 4.5% at month-end.
- The central bank is expected to lower its policy rate by 0.25% when it meets in early September.
- At 4.25%, the Bank of Canada will have lowered its policy rate by 0.75% from the high of 5.0%.
- With inflation slowing to a 40-month low and signs pointing to weaker economic growth, the Bank of Canada is expected to further lower its policy rate by 0.25% in both October and December.



Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, CME Group, AJO

COMMODITIES:

OIL:

- **The price of crude oil was \$73.65 per barrel (WTI).**
- Oil prices decreased \$4.26 per barrel, or 5.5%, in August.
- Crude oil traded lower in August amid muted demand and ample supply. China, one of the world's largest consumers of oil, forecasts lower factory demand through the rest of the year.
- **Oil is forecasted to trade between \$70 and \$80 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$78.58	\$87.01	\$70.38	3%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

COPPER:

- **The price of copper was \$4.22 USD per pound.**
- Copper prices increased \$0.03 per pound, or 0.7%, in August.
- Copper prices were stable in August after falling sharply in July. Inventories have remained full, while the outlook for demand is mixed, with reports varying over the outlook for Chinese manufacturing activity.
- **Copper is forecasted to trade between \$4.15 and \$4.45 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$4.21	\$5.10	\$3.68	8%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

ALUMINUM:

- **The price of aluminum was \$2,447 USD per tonne.**
- Aluminum prices increased \$151 per tonne, or 6.6%, in August.
- Aluminum prices increased in August but the price outlook is muted due to waning demand in China and higher expected supply stemming from increased hydroelectric power availability.
- **Aluminum is forecasted to trade between \$2,400 USD/tonne and \$2,600 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$2,400	\$2,768	\$2,159	3%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

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