

Stocks Trade Lower in August as Interest Rates Rise

Monthly Market Summary

- The S&P 500 Index declined -1.6%. Energy was the only S&P 500 sector to trade higher, while Utilities and Consumer Staples led the remaining nine sectors lower.
- Corporate investment-grade bonds produced a -1.2% total return in August, underperforming corporate high-yield bonds' +0.2% total return.
- International stocks underperformed U.S. stocks in August as the U.S. dollar strengthened. The MSCI EAFE Index of developed market stocks declined -3.9%, while the MSCI Emerging Market Index's lost 6.6%.

Stocks Trade Lower in Early August but Rebound Later in the Month

The S&P 500 traded lower during the first half of August, at one point erasing all of July's 3.3% gain. The sell-off occurred as investors worried about the potential for further interest rate hikes and increased bond issuance by the Treasury to fund government spending. Interest rates rose to levels last seen in 2007, with the 10-year Treasury yield climbing to 4.35%. This sudden rise in interest rates caught the market by surprise and weighed on stock market valuations. However, interest rates reversed a portion of their rise later in the month, with the 10-year Treasury retreating to 4.09%. The S&P 500 found its footing as yields declined and recovered to finish the month with a -1.6% decline, its first monthly loss since February of this year.

Two data points caused interest rates to decline and contributed to the stock market's rebound into month-end. First, the number of U.S. job openings fell below 9 million for the first time since March 2021, with separate data showing that fewer employees are voluntarily quitting their jobs. The declines in job openings and quits suggest the tight labor market is improving and may help ease wage inflation. Second, consumer sentiment weakened to a 3-month low in August due to higher borrowing costs and concerns about lingering inflation. Investors interpreted the labor market data and weak consumer sentiment as an indication that the Federal Reserve is making progress in its battle against inflation and may not need to raise interest rates further.

Investors Remain Fixated on the Federal Reserve's Next Move

The August market action is a continuation of the primary trend we have seen this year. The market remains fixated on the Fed's next move, including how high the Fed will raise interest rates and whether it will cut interest rates in 2024. Those decisions will significantly impact the economy and stock market, and investors want to position their portfolios correctly. Each economic data point and Fed speech are analyzed for clues about interest rate policy, and as we saw in August, stocks and interest rates can change direction suddenly as new information becomes available.

The market outlook has changed multiple times this year due to investors' short-term focus on Fed policy, but this dynamic is poised to shift as the Fed concludes its rate hike cycle.

THIS MONTH IN NUMBERS

FIGURE 1

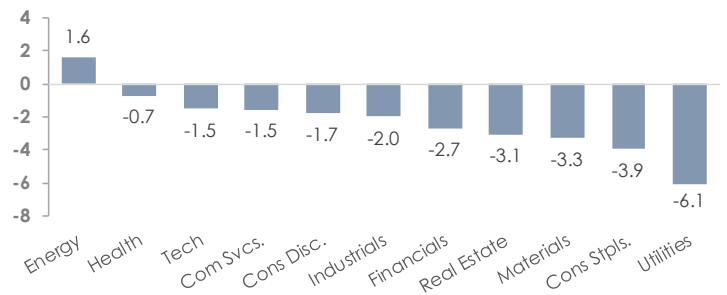
U.S. Style Returns (August in %)

	Value	Blend	Growth
Large	-2.7	-1.6	-1.0
Mid	-3.6	-3.5	-3.3
Small	-4.8	-5.1	-5.3

Data Reflects Most Recently Available As of 8/31/2023

FIGURE 2

U.S. Sector Returns (August in %)



Data Reflects Most Recently Available As of 8/31/2023

FIGURE 3

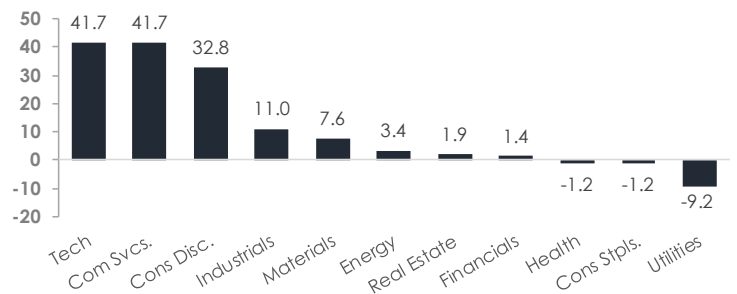
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	5.8	18.6	32.0
Mid	5.8	9.3	15.4
Small	4.8	8.8	12.6

Data Reflects Most Recently Available As of 8/31/2023

FIGURE 4

U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 8/31/2023

FIGURE 5

Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B
S&P 500	-1.6%	8.2%	14.4%	18.6%	15.6%	34.1%	1.45%	18.9x	4.0x
Dow Jones	-2.0%	6.0%	7.5%	6.2%	12.3%	28.8%	1.90%	17.1x	4.3x
Russell 2000	-5.1%	8.8%	0.8%	8.8%	4.3%	25.8%	1.50%	20.6x	1.9x
Russell 1000 Growth	-1.0%	9.2%	23.3%	32.0%	21.5%	26.0%	0.73%	26.1x	10.2x
Russell 1000 Value	-2.7%	7.4%	4.3%	5.8%	8.2%	37.5%	2.07%	14.4x	2.3x
MSCI EAFE	-3.9%	3.1%	5.0%	11.0%	18.5%	19.9%	2.21%	12.9x	1.7x
MSCI EM	-6.6%	3.4%	3.3%	4.2%	1.6%	-5.9%	2.28%	12.1x	1.6x
NASDAQ 100	-1.5%	8.8%	29.1%	42.3%	27.0%	30.1%	0.57%	24.7x	6.5x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.97%	-0.6%	-1.0%	1.6%	-1.1%	-12.3%
U.S. Corporates	5.70%	-1.2%	-0.4%	3.1%	0.9%	-14.0%
Municipal Bonds	4.16%	-0.8%	-0.2%	1.5%	2.2%	-3.1%
High Yield Bonds	8.52%	0.2%	3.1%	5.8%	6.8%	2.4%

Key Rates	8/31/2023	7/31/2023	5/31/2023	2/28/2023	8/31/2022	8/31/2020
2 yr Treasury	4.84%	4.86%	4.39%	4.80%	3.44%	0.13%
10 yr Treasury	4.09%	3.95%	3.64%	3.92%	3.13%	0.70%
30 yr Treasury	4.21%	4.02%	3.86%	3.93%	3.25%	1.46%
30 yr Mortgage	7.53%	7.26%	7.08%	7.03%	5.95%	3.10%
Prime Rate	8.50%	8.50%	8.25%	7.75%	5.50%	3.25%

Commodities	Level	1 month	YTD
Oil (WTI)	83.63	2.2%	4.2%
Gasoline	2.85	-3.5%	10.6%
Natural Gas	2.77	5.1%	-32.6%
Propane	0.70	9.8%	-10.1%
Ethanol	2.03	-16.8%	-7.7%
Gold	1,966	-2.2%	7.6%
Silver	24.81	-0.6%	3.2%
Copper	3.77	-5.6%	-0.9%
Steel	729	-11.6%	-2.0%
Corn	4.78	-6.8%	-29.5%
Soybeans	14.09	-1.6%	-5.9%

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