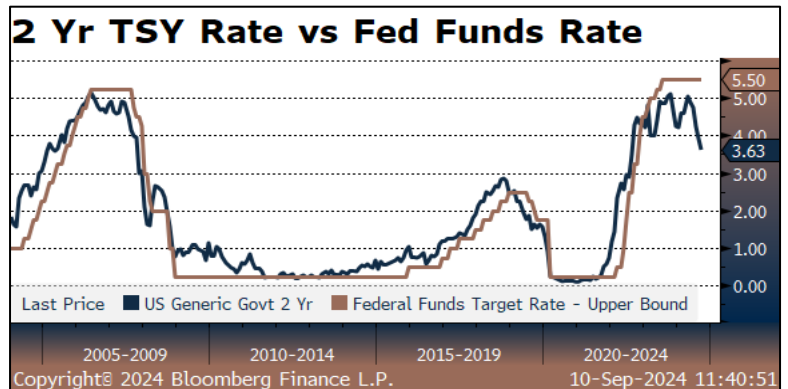
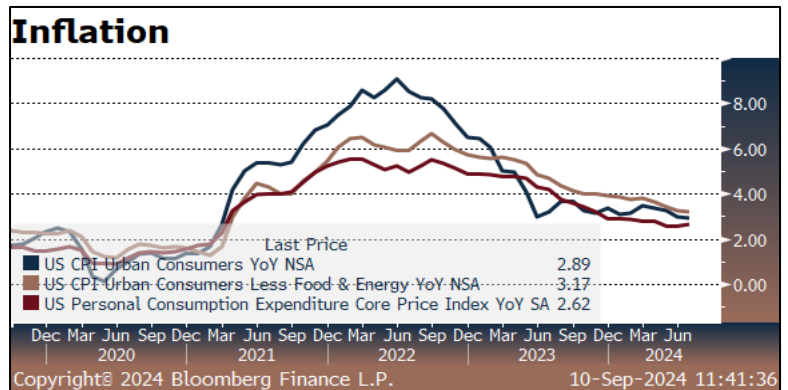


**Executive Summary:**

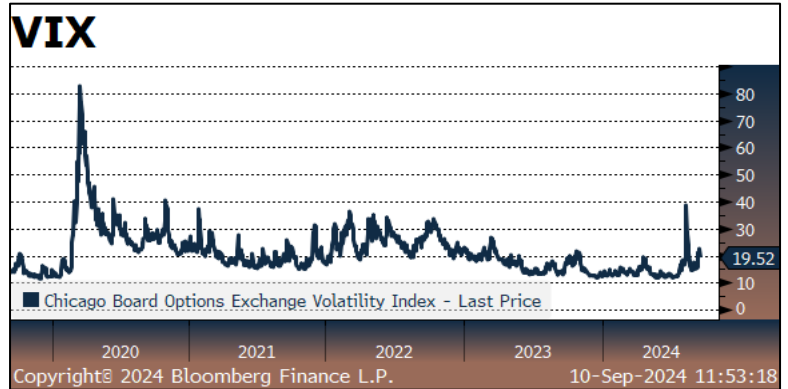
- QoQ Real GDP growth was stronger than expected, and inflation slowly continues to move towards the Fed’s 2% target.
- Concerns regarding future consumer spending are putting pressure on the Fed to cut rates.
- Most major indices continue to perform well YTD with the S&P 500 up 19.52% through August.
- A challenging fixed income environment over the past 5 years appears poised to reward investors in the years ahead.

The Fed should announce the start of its rate cut cycle at the next FOMC meeting on September 18. The point of discussion is whether the cut will be 25 or 50 bps. The month started with positive news, that for the second straight period, the economy outperformed expectations, with quarter-over-quarter annualized real GDP growth of 3%, 0.2% above expectations. Additionally, the CPI, CPI Core and PCE Core inflation measures have gradually declined since the beginning of the year, with PCE Core Inflation close to the Fed’s 2% target at 2.6%. However, later in the week the August nonfarm payroll report was below consensus for the second straight month and the July report received a downward revision. This was the fourth consecutive downward revision of the previous month’s data. The Fed is feeling pressure to cut rates due to labor market concerns and the subsequent deterioration in consumer spending conditions. The CPI print later this week is the last meaningful economic data release before the Fed meets, which may provide clarity whether the Fed cut is 25 or 50 bps. Regardless, the Fed’s long-term projected rate is 2.75%, and the Fed Futures market is pricing approximately 150 bps worth of cuts by the end of 2024. The average Fed cut cycle is roughly 24-months, which would include 17 FOMC meetings through September 2026. Therefore, assuming a typical rate cut cycle where the Fed acts every other FOMC meeting, the path to 2.75% from 5.5% in roughly eight cuts likely begins with a 50 bp cut.

Labor market weakness the past month has led to high levels of volatility, with the VIX spiking to a nearly four-year high of 38.57 on August 5. The current level of just below 20 still represents a 62% three-month change. Much gets said about volatility and equity returns, but fixed income investors could stand to benefit after a challenging fixed income environment over the past five years. For the first time in over two years, the 2/10 yield curve has a positive shape. Further, the bond market is signaling the Fed needs to act



with the current 2-year yield versus the Fed Funds Rate at its steepest inversion since 2008 at approximately 165 bps. Investment grade corporate bond spreads continue to be tight, not compensating investors for taking additional credit risk on lower rated issuers. On the Municipal side, the Muni yield-to-Treasury yield ratio continues to be rich for the short-to-intermediate parts of the curve. Rate cuts and/or a potential economic contraction will create increased demand through a flight to safety, benefitting performance. We expect eventually that the Muni yield-to-Treasury yield ratio will cheapen, and credit investment grade debt spreads will start to widen.



Despite the 2- & 10-year Treasury yields dropping below 3.75%, Treasury yields are still relatively attractive for conservative investors. For investors that can assume a degree of call risk, we like callable agencies and brokered CDs with slightly longer maturities to pick up additional spread over Treasuries with similar durations without sacrificing credit quality.

SECTORS	2023	YTD	EQUITY INDICES	2023	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	55.80%	18.19%	S&P 500 INDEX	26.26%	15.82%	WTI CRUDE FUTURE Oct24	68.71	-3.62%
S&P 500 CONS DISCRET IDX	42.30%	5.89%	DOW JONES INDUS. AVG	16.18%	9.87%	BRENT CRUDE FUTR Nov24	71.84	-5.03%
S&P 500 CONS STAPLES IDX	0.52%	19.34%	NASDAQ COMPOSITE	44.70%	13.65%	NATURAL GAS FUTR Oct24	2.17	-17.87%
S&P 500 ENERGY INDEX	-1.42%	6.04%	S&P 400 MIDCAP INDEX	16.39%	7.23%	LME COPPER 3MO (\$)	9,097.00	6.29%
S&P 500 FINANCIALS INDEX	12.10%	20.41%	RUSSELL 1000 GROWTH INDX	42.67%	16.00%	Gold Spot \$/Oz	2,506.38	21.83%
S&P 500 HEALTH CARE IDX	2.06%	14.78%	RUSSELL 1000 VALUE INDEX	11.41%	12.71%	Silver Spot \$/Oz	28.35	19.36%
S&P 500 INDUSTRIALS IDX	18.08%	13.40%	RUSSELL MIDCAP RT INDEX	17.19%	8.96%	Euro Spot	1.10	-0.07%
S&P 500 INFO TECH INDEX	57.84%	20.36%	RUSSELL 2000 INDEX	16.88%	4.45%	British Pound Spot	1.31	2.65%
S&P 500 MATERIALS INDEX	12.55%	7.12%	MSCI ACWI ex US	15.62%	7.84%	Japanese Yen Spot	143.18	-1.43%
S&P 500 REAL ESTATE IDX	12.35%	12.75%	MSCI EAFE	18.95%	9.02%	DOLLAR INDEX SPOT	101.55	0.30%
S&P 500 UTILITIES INDEX	-7.08%	23.49%	MSCI EM	10.20%	6.24%			

Source: Bloomberg As of: 9/10/2024

Bloomberg Barclays Bond Indices	Total Return			Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
	2022	2023	YTD				Effective Fed Funds	
U.S. Aggregate	-13.01%	5.53%	4.55%	6.25	8.41	4.20%	Effective Fed Funds	5.33%
Intermediate	-8.23%	5.24%	4.54%	3.92	4.35	3.92%	2-yr Treasury	3.67%
Global Agg ex USD	-18.70%	5.72%	1.44%	7.19	8.72	2.58%	10-yr Treasury	3.70%
Inv Grade Corporate	-15.76%	8.52%	5.00%	7.34	10.95	4.74%	10-yr German Bund	2.18%
U.S. Corporate High Yield	-11.19%	13.45%	6.67%	3.49	4.84	7.22%	Prime Rate	8.50%
<b>Tax Exempt</b>							30 Year Fixed Mortgage	6.69%
Muni 1-10 Yr Blend (1-12)	-4.84%	4.61%	1.52%	3.89	6.27	2.92%		

Source: Bloomberg As of: 9/10/2024

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