Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for August 2024

		Month	QTR TD	Calendar YTD	One Year	Three Years	Five Years
Domestic Stocks	S&P 500	2.4%	3.7	19.5	27.0	9.3	15.9
	Russell 2000	-1.5%	8.5	10.4	18.4	0.6	9.6
Domestic Bonds	Bloomberg Aggregate	1.4%	3.8	3.1	7.3	-2.1	0.0
	Bloomberg High Yield	1.6%	3.6	6.3	12.5	2.5	4.4
Non-US Stocks	MSCI EAFE	3.3%	6.3	12.0	19.3	4.1	8.6
	MSCI Emerging Mkts	1.6%	1.9	9.5	15.0	-3.0	4.8
Global Bonds	Bloomberg Global Agg	2.4%	5.2	1.9	6.9	-4.2	-1.4

August was a tale of two capital markets. The first half of the month saw the return of volatility, with a sell-off in global equities and a flight-to-quality in rates triggered by some softness in U.S. economic data and central bank actions, which led to an unwinding of leverage across markets. Despite the volatile start, markets broadly ended in the black as economic data released later in the month underscored the continued resilience of the U.S. economy and helped ease imminent recession concerns.

Even with the reprieve, interest rate expectations moved meaningfully lower during the month, reflecting the market's expectations for aggressive rate cuts by the Federal Reserve. In response to these dynamics, rates ended lower for the month with the 90-day Treasury bill and 10-year Treasury yield falling 17 and 14 basis points, respectively. The downward pressure in rates fueled positive returns across fixed-income assets, with longer-duration indexes outperforming: the Bloomberg U.S. Treasury Index added 1.3% in August, while the Bloomberg Long Treasury Index added 2%.

Equities were quick to bounce back as encouraging economic data and expectations for lower rates bolstered investor sentiment. Following the initial sell-off, the S&P 500 Index posted its best week of the year during the month, ending 2.4% higher for August. In contrast, following an exceptionally strong July, U.S. small-cap stocks underperformed as markets weighed the prospect of lower rates relative to slowing economic growth, causing the Russell 2000 Index to fall 1.5% last month. Outside the United States, markets rallied as a weaker U.S. dollar supported returns: the MSCI EAFE and MSCI Emerging Markets indexes added 3.3% and 1.6%, respectively.

Within real assets, the NAREIT Global REIT Index significantly outperformed—given the asset class's sensitivity to interest rates—adding 6.2% in August, while commodities remain under pressure as concerns around global growth continue to weigh on prices. Notably, spot WTI Crude Oil fell 7.3% last month.

With recent bouts of market volatility, we suggest investors remain disciplined and stay prepared to rebalance positions should we see a more significant sell-off. We encourage maintaining a fundamental investment perspective and holding safe-haven fixed-income exposure in line with long-term strategic asset allocation targets. We continue to recommend investors hold a blend of S&P 500 and value exposure within U.S. large-cap stocks.

Commentary courtesy of New England Pension Consultants (NEPC). UUCEF has a consultancy agreement with NEPC to assist in the oversight of investment managers and provide other advisory services to the UUCEF Investment Committee. NEPC® is an independent, full service investment consulting firm, providing asset allocation, manager search, performance evaluation and investment policy services to middle and upper market institutional investment programs.]