

After the Close

An Ameriprise Global Asset Allocation Committee publication

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Asia selling moderates through U.S. session

On the day

Data last week confirming the first Fed rate cut lies just ahead, coupled with a surprise rate hike by the Bank of Japan, prompted a swath of repositioning Friday and today. The Nikkei 225 closed down -12.4% overnight in its worst session since the 1987 Black Monday crash. Selling in Asia washed over into the European session today and onto trading in the U.S. The FTSE 100 Index declined -2.0%, Germany's DAX Index was down -1.8% and France's CAC 40 Index was off -1.4% today. The Dow Jones Industrials Index sold off sharply overnight, peaking at down more than 1200 in early U.S. trading and finishing down more than 1000 points at 38,703. After firming mid-morning, selling returned to the market after a peak above 29,000 failed to hold shortly after noon Eastern time. The S&P 500 Index ended down -3.0% to 5,186 and the NASDAQ Index off -3.4% to 16,200.

The story of the day may have been the jump in volatility as the CBOE's Volatility Index (VIX) ended at 38 on the day after peaking at 65 in the overnight hours, a level not seen since March 2020. With the VIX averaging 14 year-to-date through July and peaking at 19.2 April of this year, the back-to-back volatility Friday and today reflect the Fed's new rate cut regime and the Bank of Japan's determined move toward higher policy rates, in our view. See the VIX chart below.

Selling in Japan saw the bid push US 10-year Treasury yields to 3.66% overnight, or down 23 basis points from Friday's close before recovering to end trading today a basis point lower on the day at 3.78%. Two-year Treasury yields, the most responsive to the future path of Fed rate cuts, touched 3.64% before ending the session up four basis points from Friday's close at 3.92%. The 28 basis points swing is just one symptom of why VIX has jumped.

Committee View

Global repositioning may take a few sessions to pass, leading to elevated VIX for a short period. Some investors are looking for a Fed put, which we believe disappeared in 2022, hoping an emergency Fed cut could boost stock prices. We view an intra-meeting rate cut as unlikely for two reasons. First, the Fed principally focuses on the economy, which is still on solid footing. Second, we anticipate the Fed to shape a new 'rate cut' policy regime at its Kansas City Fed Symposium in Jackson Hole later this month before beginning the normalization of policy rates.

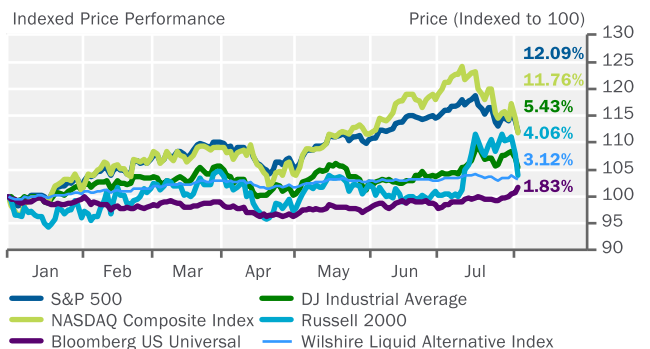
We view the latest moves in markets as likely overdone as the unwind of short-term trades pushes markets to extremes. We recommend that investors looking to sell stocks or buy bonds in long-term portfolios wait for the latest wave of repositioning to subside to potentially avoid locking in outlier losses.

Today's Market Action at a Glance

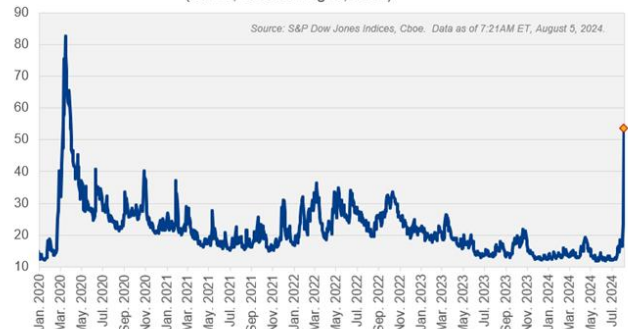
Benchmark	Index Level	Net Change	% Change
S&P 500 Index	5,186	-160.23	-3.00%
Russell 2000 Index	2,037	-71.96	-3.41%
NASDAQ Composite	16,200	-576.08	-3.43%
Best Performing S&P Sector: Industrials			-1.72%
Worst Performing S&P Sector: Information Technology			-3.78%
10-year U.S. Treasury Yield: 3.78%		-1 basis point	
West Texas Intermediate (WTI) Oil: \$73.78		0.35% per barrel	
Spot Gold: \$2406.43		-1.51% per troy oz	

All data and charts via FactSet as of approximately 4 PM ET. Past performance is not a guarantee of future results.

Year-to-Date Price Performance Through the Prior Day



Cboe Volatility Index, VIX® (Jan. 2, 2020 to Aug. 5, 2024)



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	Count	Percent
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