ISSUE #09

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Sunday Dump weekly newsletter

Welcome to the Sunday Dump, your weekly 5 minute digest of the most exciting developments in finance, economics and current events.

Markets



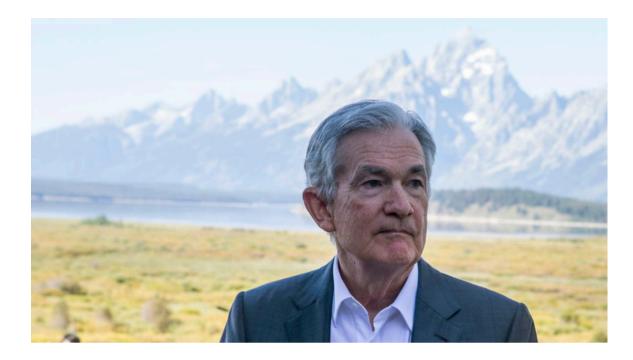
This week, the US stock market saw gains across major indices, with the NASDAQ rising 1.3%, the S&P 500 increasing by 1.4%, and the Dow Jones Industrial Average up 1.1%. Investor sentiment was rallied by the Fed confirming a <u>rate cut</u> at the Jackson Hole Symposium (Read economic data for further explanation of rate cuts.).

Betting on Rate Cuts

Historically, the stock market has <u>performed</u> well in the years following the first rate cut. For example, after the September 1984 rate cut, the market was up 8.6% one year later and 39.1% two years later. Similar trends were observed after the November 1987 cut, with gains of 18.8% and 50.2% over one and two years, respectively. While the June 1989 rate cut led to more modest gains of 6.5% and 20.1% over the same periods, the overall trend has been positive. However, it's important to note that not all rate cuts have led to market gains. The two notable exceptions occurred in 2001 and 2007, following rate cuts that led to negative market performance due to the <u>dot-com bust</u> and the <u>subprime mortgage</u> <u>crisis</u>, respectively. Despite these downturns, today's economic environment is markedly different. We have observed a strong, growing economy and reducing inflation as opposed to the recessionary pressures seen during those periods.

As investors digest the implications of a rate cut, the market is likely to remain volatile. While history suggests that a rate cut could lead to positive returns, the broader economic context will be key in determining the market's future direction.

Economic Data



As mentioned in the markets section, the highlight for this week was Federal Reserve Chair Jerome Powell's speech at the Jackson Hole Economic Symposium, the most anticipated news for the entire year. However, why was this speech so important for all investors and what exactly does it mean regarding interest rates? The Jackson Hole Economic Symposium is an event where central bankers, financial leaders, and economists around the globe gather to discuss and announce policy decisions and global financial stability. This year, Powell's remarks were especially important due to the current challenges the Fed is facing in order to avoid pushing the economy into a recession and controlling inflation. But ultimately, he announced that it was time to cut interest rates in the U.S. The term "cutting rates" refers to the reduction of the Federal Funds Rates (the interest rate at which banks lend to each other). The federal funds rate is the benchmark for all other interest rates that we are more familiar with such as loans, mortgages, and business investments. The main impact of lower interest rates is that consumers and businesses can borrow money at a cheaper rate. As a result, a business might be able to invest in new projects or increase their inventory, and an ordinary consumer may be able to make more purchases. On the other hand, lowering interest rates in the U.S. can lead to a weaker currency because it makes holding the dollar less attractive to foreign investors.

The interest rate cut that was announced this week is going to take place in the next Fed meeting on September 18th. However, investors are still anticipating how deep the cut will be. In other words, how much lower will the new interest rate be? Will the cuts be aggressive or more measured?

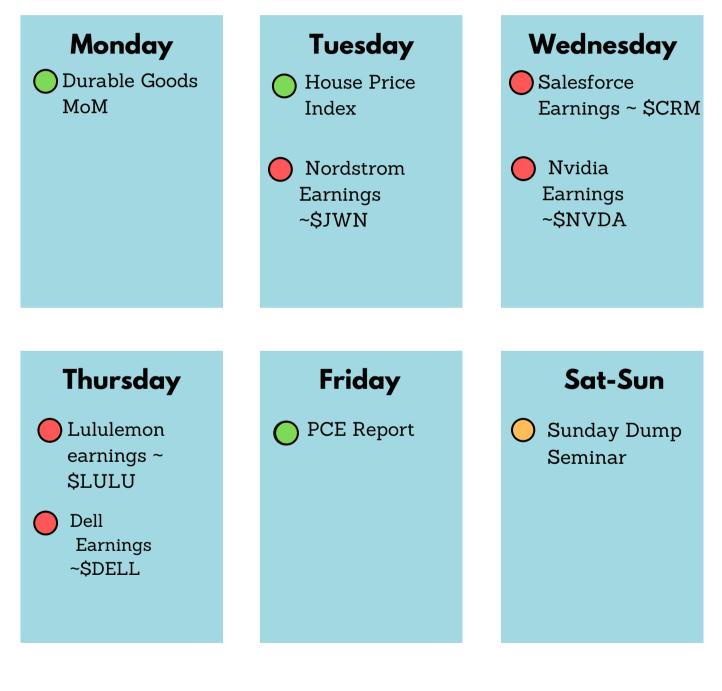
Stock of the Week



Cava Group, Inc. (<u>CAVA</u>) has quickly become a favorite in the fast-casual dining sector, with its stock reaching record highs following impressive <u>Q2 results</u>. The Mediterranean chain reported net sales of \$233.5 million, a 35.2% year over year increase, significantly exceeding expectations. The reported earnings per share of \$0.17 also beat forecasts. <u>Same-store sales</u> jumped 14.4%, driven by higher foot traffic, increased menu prices, and the successful launch of grilled steak in June. Cava's stock surged to a record \$102.39 on Wednesday, then reached an all-time high of \$122.95 on Friday. Analysts are bullish on Cava's long-term growth potential due to their expansion plans and innovation, such as their loyalty program relaunch and AI drive kitchen tech. With plans to open 1,000 locations by 2032, Cava is setting itself up for growth.

Sunday Upcoming Week...

WEEK OF 8/25/24







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NEWSLETTER

Written by: Rishabh Shekdar, Saksham Gupta, Advaith Praveen, Mark Dutta, Seiji Yoshihira, Arjun Arya, and Abhinav Maramraju