CALAMOS® WEALTH MANAGEMENT

Calamos Wealth Management Monthly Commentary

September 06, 2023

Volatility made a brief return to financial markets during August, with both equities and bonds selling off. For the month, the S&P 500 Index was down -1.6%, while US bonds (measured by Bloomberg US Aggregate Bond Index) returned -0.6%. The US dollar rallied, driven by stronger economic data. US Small Caps (measured by the Russell 2000) underperformed US Large Caps (S&P 500), giving back the relative gains of the past two months.

Below, we focus on three key themes that have influenced markets this month.

Jackson Hole—Main Event or Nonevent?

Heading into the Fed's annual economic policy conference at Jackson Hole, there was much speculation about Chair Jerome Powell's speech. Would he use it as an opportunity to signal that the hiking cycle was finished? That more hikes were on the way? Or maybe that the Fed was considering raising its inflation target? In the end, Powell's speech (and the resultant market reaction) was fairly uneventful because he stuck to his previous themes for the most part, with little information that could be considered "new."

Perhaps most important, Powell preserved the Fed's optionality going forward. Although "higher for longer" is a message that the Fed would like to impart on investors, this is a Fed that is clearly "data dependent" and wishes to retain maximum flexibility on potential rate moves. We continue to believe that market expectations for rate cuts may need to be pushed further out.

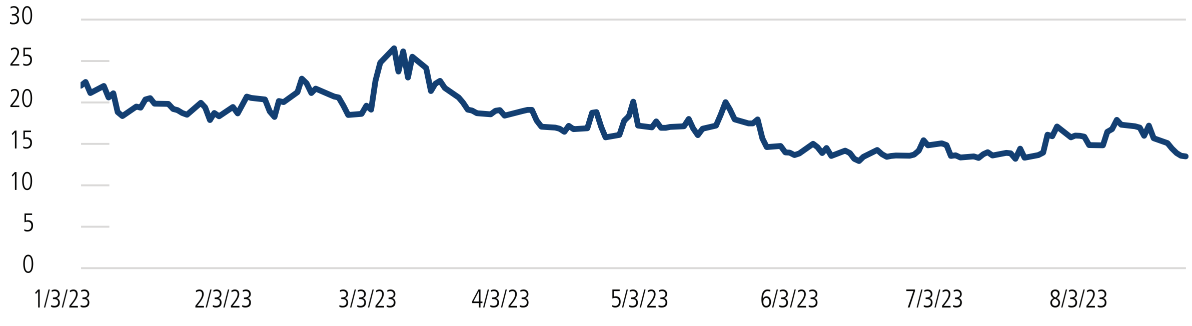
Economic Strength Continues

Last month, we highlighted the strength of US economic surprises. Although this momentum has slowed in the past couple of weeks, this does not appear to be an economy close to recession. Retail sales came in stronger than expected during the month, as did the ever-important payrolls report for August. Notably, the unemployment rate ticked up to 3.8% (from 3.5%), leading to speculation that the Fed will refrain from additional rate hikes, at least in the very short term. Another positive factor was an increase in the labor force participation rate, watched closely by the Fed.

Volatility Returns, But Only Briefly

One notable feature of the summer months has been the low level of volatility, particularly in equity markets. We feel this has been mainly due to the stronger-than-expected economic data that we have previously referenced. The VIX has remained in a narrow range between 13– and 15 for much of the summer.

Exhibit 1: Low Volatility Environment Returns After Brief Increase



Source: Chicago Board Options Exchange. **Past performance is no guarantee of future results.**

This changed in mid-August as the VIX climbed to 18, before falling back below 14 at month-end. The brief spike enabled us to increase our activity in our options program and take advantage of the change in pricing.

Although a soft landing remains our base case, we stand ready to adjust positioning if expectations around the Fed, economic data, and volatility change.

The **S&P 500®** is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The **Russell 2000 Index** is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization.

The **Bloomberg US Agg Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity.

The **VIX Index** is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500 Index.

CALAMOS®
WEALTH MANAGEMENT

Calamos Wealth Management
2020 Calamos Court | Naperville, IL 60563-2787
888.857.7604 | wm.calamos.com
CWMWealthAdvisors@calamos.com

CWM821079 0923