

After a five-month winning streak, the S&P 500® Index declined 1.59% in August. A surprise downgrade of U.S. credit by Fitch Ratings, a credit rating agency, combined with a slew of regional bank downgrades and growing concerns around Chinese economic growth drove the selloff. From July 31 to August 18, the S&P 500® Index declined 4.66% before advancing 3.22% from August 18 through month-end. The market has had a robust 2023 with the 18.73% year-to-date return through August 31, ranking as the S&P 500® Index's sixth best start in 35 years.

Data released in August reflected a softening, yet resilient, economy which fueled optimism of successful economic management by the U.S. Federal Reserve and a "soft-landing," with the avoidance of recession. On the corporate front, second-quarter aggregate operating earnings were on track to increase 4.02% quarter-over-quarter and 1.56% year-over-year. With over 98% of S&P 500® Index companies reporting, more than 82% have met or exceeded analyst estimates.

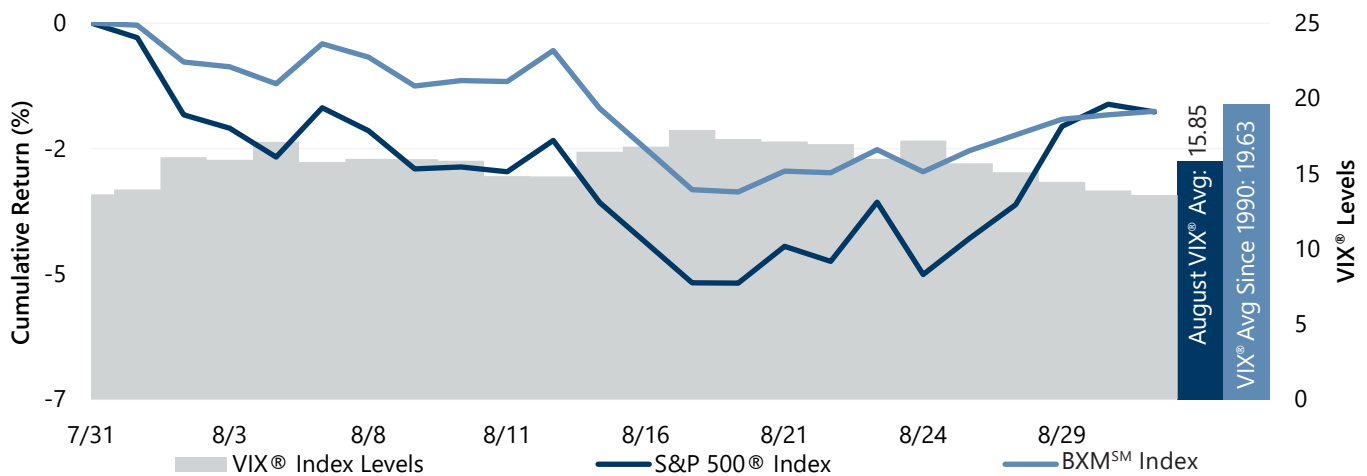
### U.S. Macroeconomic Data | August Releases

	Period	Current	Estimate	Prior
U.S. Gross Domestic Product Growth	Q2 2023	2.1%	2.4%	2.4%
Unemployment Rate	July	3.5%	3.6%	3.6%
Participation Rate	July	62.6%	62.6%	62.6%
Average Hourly Earnings (YoY)	July	4.4%	4.2%	4.4%
Consumer Price Index (YoY)	July	3.2%	3.3%	3.0%

Past performance does not guarantee future results. Source: Bloomberg, L.P.

Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 15.85 in August. Consistent with its typical relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 12.29% for the month. The 3.6 percentage-point spread between realized volatility and average implied volatility was slightly below the 4.1% historical average. The VIX® ended July at 13.63, reached an intra-month high of 17.89 on August 17, then drifted to close the month at its August low of 13.57.

### Market Path & Implied Volatility | August 2023



The Cboe® S&P 500 BuyWrite<sup>SM</sup> Index<sup>1</sup> (the BXM<sup>SM</sup>) returned -1.58% in August, bringing its year-to-date return to 10.28%. The BXM<sup>SM</sup> is an S&P 500® Index buy-write strategy which purchases (buys) an equity portfolio replicating the S&P 500® Index and sells (writes) a single one-month S&P 500® Index call option with a strike price approximately at-the-money. On the third Friday of each month, the BXM<sup>SM</sup> writes a new index call option as the option it wrote the previous month expires. This passive, rules-based approach makes the BXM<sup>SM</sup> return subject to the equity market's path, and the premiums that the BXM<sup>SM</sup> collects on its written index call options have significant influence on its return potential. The BXM<sup>SM</sup> began the month with an in-the-money written index call option due to the market advance during July, leading to relatively low market exposure until it wrote a new index call option with a September expiration on August 18. The premium the BXM<sup>SM</sup> collected as a percentage of its underlying value was 1.91% in August. Earning a portion of the premium it received contributed to the return of the BXM<sup>SM</sup> over the remainder of the month but paired with a restrictive rules-based approach, was insufficient in keeping pace with the equity market's rebound.

The Bloomberg U.S. Aggregate Bond Index returned -0.64% in August, bringing its year-to-date return to 1.37%. The yield on the 10-year U.S. Treasury Note (the 10-year) ended July at 3.96% before reaching an intra-month low of 4.01% on August 9. The yield on the 10-year then climbed to an intra-month high of 4.34% on August 21, before ending the month at 4.11%. Throughout August, the yield on the 2-year U.S. Treasury Note exceeded that of the 10-year, an inversion of its typical relationship that began on July 5, 2022.

### IMPORTANT INFORMATION

Sources: Morningstar Direct<sup>SM</sup> and Bloomberg, L.P. Past performance does not guarantee future results. For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit [www.gia.com](http://www.gia.com). <sup>1</sup>The BXM<sup>SM</sup> is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.