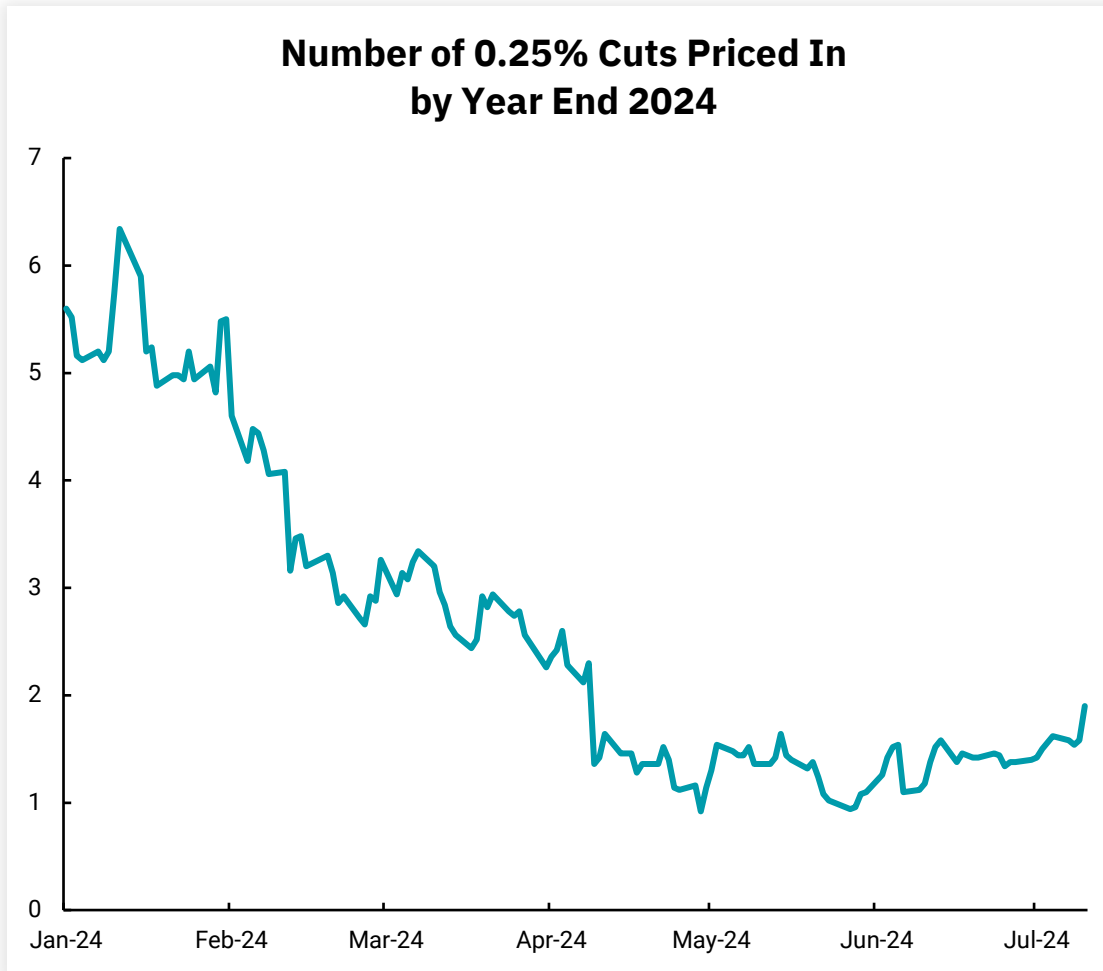


Weekly market update



Chart of the week (Jul. 12, 2024)



Recent readings on the labor market and inflation have increased the expected number of rate cuts between now and year-end. After the Federal Reserve's interest rate-setting arm, the Federal Open Market Committee (FOMC), met in June, they updated their outlook for economic growth, inflation and interest rates. Now, the Fed expects at most two cuts, which is still down from the three cuts expected earlier this year.

Market expectations have been even more variable. In early 2024, market expectations exceeded six rate cuts, but the number began to decline as the economy continued to grow, unemployment stayed low and inflation readings were firmer than expectations. We eventually saw market expectations for rate cuts fall below the outlook from the Fed as Fed Funds futures were only pricing in one rate for much of May and June.

We never thought the idea of six rate cuts made sense. Still, with [headline unemployment ticking up to 4.1%](#) in June and the most recent [consumer price index \(CPI\)](#) reading coming in below expectations, the Fed Funds futures market is now moving toward two rate cuts for this year. To accomplish two rate cuts, the Fed will need to use their upcoming July 30-31 meeting to begin setting the table for a September rate cut. They would do this by changing their communications around their confidence on inflation. For instance, they might say that inflation is moving sustainably towards their 2% target as the labor market is rebalancing in a way which would lessen wage pressures.

To be sure, housing costs remain higher than desired and core inflation remains higher than 2%, but waiting until inflation hits 2% might very well mean the Fed is late in adjusting their policy. After all, the chart for this week also shows how quickly things can change. Future economic readings can move us one way or the other, but the preponderance of current data seems to indicate some recalibration of policy will be warranted soon.

Weekly market update



Commentary (Jul. 12, 2024)

Domestic Equities

- The S&P 500 Index and the Nasdaq Composite continued to notch new highs with moderate gains. The break-out star of the week was the Russell 2000 Index. Small-caps were about flat for the year coming into the third quarter, but better-than-expected consumer price index (CPI) data drove the index up over 5% for the week.
- The CPI data out Thursday indicated inflation eased in May and June, which investors hope will clear the path for the Fed to begin cutting rates. Then, the producer price index (PPI) data out Friday came in hotter than expected, an important reminder that inflation is still here and that data can be volatile. However, the news did not dent investors' hopes for a September rate cut.
- Bank earnings kicked off this week with largely disappointing results as big banks continue to feel pressure from rising rates. JPMorgan and Wells Fargo saw a decline in profits.

Bonds

- U.S. Treasury yields moved lower on softer CPI data for June, with the one- to five-year part of the curve experiencing the biggest drop in yields. Improving inflation data also led to a rise in rate cut expectations, with Fed Funds futures pricing in a full 0.25% cut in September.
- The broad investment-grade market, as measured by the Bloomberg US Aggregate Bond Index, was positive for the week, with the drop-in rates and lower spread across the securitized market driving returns.
- Across the corporate bond market, lower-quality credits outperformed. In particular, CC to D-rated credits led the market higher, along with convertible bonds.
- Mortgage rates continued to improve, with the national average for the 30-year fixed-rate mortgage closing the week at a three-month low.

International Equities

- Optimism over lower rates bolstered investor sentiment, driving global stocks higher. The focus will now turn to corporate earnings and new economic data to discern the trajectory of the global economy.
- Developed markets rallied again, with broad strength across the European and Pacific regions. Softer-than-expected U.S. inflation data and the sharp move of the yen versus the U.S. dollar fueled speculation that the Bank of Japan may have intervened to prop up the country's currency.
- Emerging markets maintained their momentum as markets across Asia and Latin America moved higher. Brazil's annual inflation rate rose 4.23%, less than analysts' estimates. This welcome news may not prompt their central bank to cut rates due to concerns that inflation levels may persist.

Economics

- The Bureau of Labor Statistics (BLS) reported the Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1% in June, the lowest monthly decline since May 2020, mostly due to lower gasoline prices. Over the prior 12 months ending in June, CPI-U was 3.0%, down from 3.3% in May. Core CPI, which excludes food and energy, increased 0.1% in June and was 3.3% over the prior 12 months.
- Additionally, the BLS reported the Producer Price Index for final demand (PPI) increased 0.2% in June and 2.6% over the prior twelve months. All of the monthly increase is attributable to final demand services, which increased 0.6%, whereas final demand goods declined 0.5%.
- The four-week moving average for initial claims for unemployment insurance was 233,500, a decrease of 5,250 from the prior week.

Weekly Market Update

For Week Ending July 12, 2024

Markets

| | Last Price | Change From Prior Week | Change From Year End | Change From Year Ago |
|-----------------------------|------------|------------------------|----------------------|----------------------|
| Capital Markets | | | | |
| Dow Jones Industrial Avg | 40,000.90 | 1.6% | 7.2% | 18.9% |
| S&P 500 Index | 5,615.35 | 0.9% | 18.6% | 27.4% |
| NASDAQ Composite | 18,398.45 | 0.3% | 23.0% | 33.2% |
| S&P 400 Midcap Index | 3,020.71 | 4.3% | 9.5% | 14.4% |
| S&P 600 Smallcap Index | 1,350.46 | 5.3% | 3.4% | 11.0% |
| MSCI EAFE | 8,568.56 | 2.3% | 10.1% | 15.3% |
| MSCI Emerging Markets | 595.46 | 1.8% | 11.5% | 14.6% |
| Bloomberg US Agg | 2,179.73 | 0.8% | 0.8% | 4.2% |
| Bloomberg Municipal 5 Yr | 487.96 | 0.6% | -0.2% | 2.9% |
| Bloomberg US Corporate | 3,262.71 | 0.8% | 1.3% | 6.5% |
| Bloomberg Glb Agg ex US Hdq | 571.98 | 0.4% | 1.3% | 6.4% |
| Bloomberg High Yield | 2,571.52 | 0.8% | 3.7% | 10.8% |
| MSCI US REIT Index | 2,210.56 | 3.9% | 2.8% | 7.5% |
| Bloomberg Commodity Index | 238.01 | -1.6% | 5.1% | 2.9% |

| | Last Price/Yield | Prior Week | Year End | Year Ago |
|------------------|------------------|------------|----------|----------|
| Key Rates | | | | |
| Fed Funds Target | 5.50% | 5.50% | 5.50% | 5.25% |
| 3-Month Treasury | 5.33% | 5.37% | 5.33% | 5.38% |
| 1-Year Treasury | 4.85% | 5.00% | 4.76% | 5.33% |
| 2-Year Treasury | 4.45% | 4.60% | 4.25% | 4.75% |
| 5-Year Treasury | 4.10% | 4.23% | 3.85% | 4.07% |
| 7-Year Treasury | 4.12% | 4.23% | 3.88% | 3.97% |
| 10-Year Treasury | 4.18% | 4.28% | 3.88% | 3.86% |
| 30-Year Treasury | 4.40% | 4.48% | 4.03% | 3.95% |

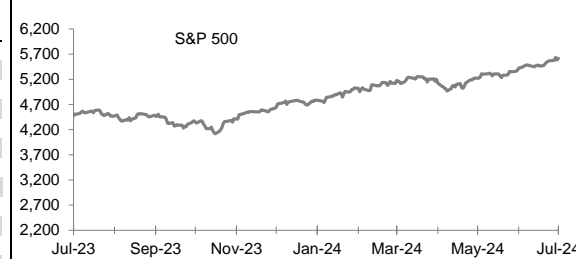
| | | | | |
|-----------------------|-------|-------|-------|-------|
| Consumer Rates | | | | |
| 30-Year Mortgage | 7.19% | 7.30% | 6.99% | 5.83% |
| Prime Rate | 9.25% | 9.25% | 9.25% | 9.00% |
| SOFR | 5.34% | 5.32% | 5.38% | 5.05% |

| | | | | |
|--------------------|----------|----------|----------|----------|
| Commodities | | | | |
| Gold | 2,411.43 | 2,392.16 | 2,062.98 | 1,957.35 |
| Crude Oil (WTI) | 82.21 | 83.16 | 71.65 | 71.54 |
| Gasoline | 3.53 | 3.51 | 3.12 | 3.56 |
| Natural Gas | 2.33 | 2.32 | 2.33 | 3.38 |
| Copper | 4.59 | 4.65 | 3.89 | 3.90 |

| | P/E Forward | P/E Trailing | Price to Book | Current Div Yield |
|------------------------------|-------------|--------------|---------------|-------------------|
| Index Characteristics | | | | |
| Dow Jones Industrial Avg | 19.86 | 21.41 | 5.10 | 1.87 |
| S&P 500 | 23.01 | 24.59 | 5.08 | 1.36 |
| S&P 500 Value | 16.82 | 17.53 | 2.84 | 2.36 |
| S&P 500 Growth | 38.03 | 34.41 | 11.83 | 0.52 |
| NASDAQ | 35.60 | 39.43 | 7.18 | 0.73 |
| S&P Midcap 400 | 16.78 | 16.63 | 2.52 | 1.79 |
| S&P Smallcap 600 | 15.74 | 15.45 | 1.80 | 2.74 |
| MSCI EAFE | 15.25 | 15.14 | 1.95 | 3.09 |
| MSCI Emerging Markets | 13.52 | 15.78 | 1.80 | 2.72 |

Source: Bloomberg

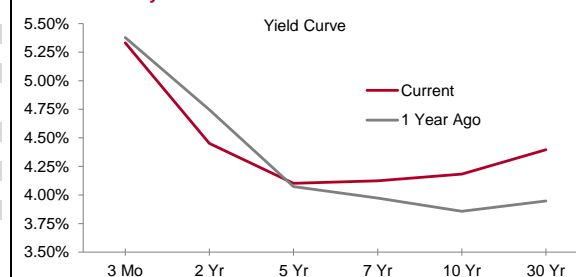
Equity Style



| 1 Month* | | | Year to Date* | | |
|--------------|------|--------|---------------|-------|--------|
| Value | Core | Growth | Value | Core | Growth |
| Large | | | | | |
| 2.47 | 3.70 | 4.66 | 8.09 | 18.61 | 27.82 |
| Mid | | | | | |
| 3.01 | 2.49 | 2.03 | 3.76 | 9.49 | 15.02 |
| Small | | | | | |
| 3.85 | 3.57 | 3.31 | -0.58 | 3.42 | 7.45 |

*S&P Indices

Fixed Income Style



| 1 Month* | | | Year to Date* | | |
|-------------|---------|------|---------------|---------|-------|
| Short | Interm. | Long | Short | Interm. | Long |
| Govt | | | | | |
| 0.90 | 1.20 | 1.69 | 1.86 | 1.28 | -2.71 |
| Corp | | | | | |
| 0.95 | 1.27 | 1.52 | 2.66 | 2.32 | -0.73 |
| HY | | | | | |
| 0.91 | 1.08 | 0.11 | 4.28 | 3.75 | 0.81 |

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

| | Last Release | Year Ago |
|-------------------------------------|--------------|----------|
| Inflation | | |
| CPI Headline Inflation | 3.0% | 3.0% |
| CPI Core Inflation | 3.3% | 4.8% |
| Personal Consumption Exp (PCE) Core | 2.6% | 4.7% |

| | | |
|--|------|------|
| Jobs | | |
| Unemployment Rate (U3) | 4.1% | 3.6% |
| Broader Unemployment Rate (U6) | 7.4% | 6.9% |
| JOLT Survey (in millions) | 8.14 | 9.31 |
| Jobless Claims (000's) | 222 | 232 |
| Change in Non-Farm Payroll (000's) | 206 | 240 |
| Average Hourly Earnings (Y/Y % Change) | 3.9% | 4.7% |

| | | |
|----------------------------------|--------|--------|
| Consumer & Spending | | |
| Consumer Confidence (Conf Board) | 100.4 | 110.1 |
| Consumer Spending (\$ Bil) | 19,338 | 18,408 |
| Consumer Credit (\$ Bil) | 5,065 | 4,963 |
| Retail Sales (\$ Bil) | 703 | 687 |

| | | |
|-------------------------------|--------|--------|
| Housing | | |
| Housing Starts (000's) | 1,277 | 1,583 |
| Case-Shiller Home Price Index | 320.42 | 301.47 |

| | | |
|--------------------------------------|--------|--------|
| U.S. Productivity | | |
| Real Gross Domestic Product (\$ Bil) | 22,759 | 22,112 |
| Quarter over Quarter Change | 1.4% | 2.2% |
| Year Over Year Change | 2.9% | 1.7% |
| ISM Manufacturing | 48.50 | 46.40 |
| Capacity Utilization | 78.17 | 79.22 |
| Markit US Composite PMI | 54.80 | 53.20 |

| | | |
|-----------------------------|--------|--------|
| U.S. General | | |
| Leading Economic Indicators | 101.2 | 106.9 |
| Trade Weighted Dollar Index | 123.8 | 119.7 |
| EUR / USD | 1.09 | 1.11 |
| JPY / USD | 157.83 | 138.50 |
| CAD / USD | 0.73 | 0.76 |
| AUD / USD | 0.68 | 0.68 |

S&P 500 Sector Returns

| | 1 Month | YTD |
|------------------------|---------|--------|
| Information Technology | 5.23% | 33.89% |
| Communication Services | 1.99% | 27.13% |
| Utilities | 2.67% | 14.38% |
| Financials | 4.09% | 13.50% |
| Consumer Staples | 1.73% | 10.22% |
| Consumer Discretionary | 6.32% | 10.05% |
| Energy | 1.98% | 10.02% |
| Industrials | 1.14% | 9.73% |
| Health Care | 1.88% | 9.63% |
| Materials | 1.27% | 6.69% |
| Real Estate | 5.38% | 1.57% |

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