

Weekly Market Recap

June 10, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500® Index	5,347	1.3%	12.1%
Dow Jones Industrial Average	38,799	0.3%	2.9%
NASDAQ	17,133	2.4%	14.1%
Russell 2000® Index	2,027	-2.1%	0.0%
MSCI EAFE Index	2,386	1.3%	6.7%
Ten-Year Treasury Yield	4.43%	-0.1%	0.6%
Oil WTI ¹ (\$/bbl ²)	\$75.25	-2.3%	5.0%
Bonds ³	\$96.62	0.1%	-0.3%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose 1.3% this week as investor sentiment benefitted from continued outperformance of technology stocks and NVIDIA Corporation. A decline in the April job openings and a May ADP¹ report that fell below analyst's expectations played into the narrative of continued softening in job creation, but Friday's non-farm payrolls were hotter than expected and average hourly earnings grew faster than expected as well. May ISM Services bounced back from April's softer data. Futures markets continue to expect the Federal Reserve (Fed) to cut rates this September, while the European Central Bank and the Bank of Canada both cut rates this week. The 10-year Treasury yield fell to 4.43% from a 4.47% level, gold fell 0.9%, and WTI crude fell 2.3%.
- S&P 500 Index Sector Returns:
 - Technology (+3.8%) rose, led by NVIDIA, semiconductors, and software stocks.
 - Healthcare (+2.0%) rose, led by pharmaceutical stocks and med-tech.
 - Communication services (+1.7%) rose, led by social media and internet search stocks.
 - Consumer discretionary (+1.5%) rose with strength from Amazon and travel stocks.
 - Consumer staples (+0.5%) and utilities (-3.9%) both underperformed, as investors favored less defensive stocks.
 - Real estate (-0.2%) fell, led lower by office REITS and cell towers.
 - Financials (-0.5%) fell, led lower by asset managers and banks.
 - Industrials (-1.0%) fell, led lower by transports, aerospace and defense stocks, and airlines.
 - Materials (-2.0%) rose, led lower by precious metals, miners, and chemical companies.
 - Energy (-3.5%) fell, as the price of WTI declined 2.3%.

¹ The ADP National Employment Report is a monthly report of economic data that tracks the level of nonfarm private employment in the U.S., published by Automatic Data Processing.

- Thus far, Nasdaq prices have followed the earnings growth of the stocks in the index, in contrast to the tech bubble in 1999-2000.

Exhibit 20: During the tech bubble stock prices clearly decoupled from fundamentals, a phenomenon we have yet to see recently

Nasdaq 100 vs S&P 500 – earnings & performance

The Daily Shot
07-Jun-2024

@SoberLook



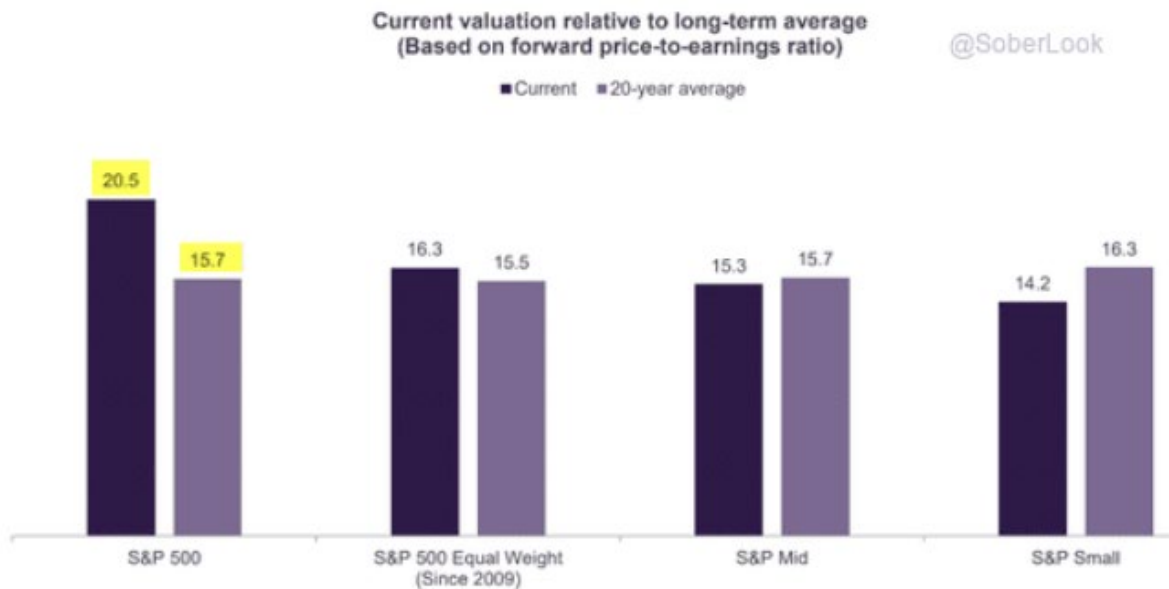
Data is as of 06.07.2024. Sources: Bank of America; The Daily Shot.

- U.S. large-cap valuations are currently trading at a premium to their historical averages, while mid caps and small caps are trading at a discount.

Large cap valuations trading at a premium to history while mid caps and small caps at a discount

The Daily Shot
06-Jun-2024

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Data is as of 06.07.2024. Sources: Truist; Bloomberg L.P.; The Daily Shot.

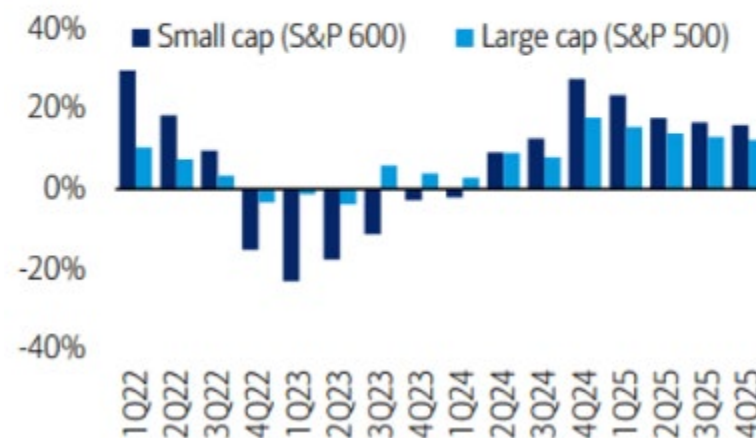
- Small caps' profits are expected to continue to recover.

Exhibit 62: Small caps profits expected to continue to recover, but back-end loaded growth in 2024

The Daily Shot

07-Jun-2024

Quarterly y/y bottom up EPS growth trajectory for S&P 600 vs S&P 500 (Consensus estimates; based on historical index constituents)

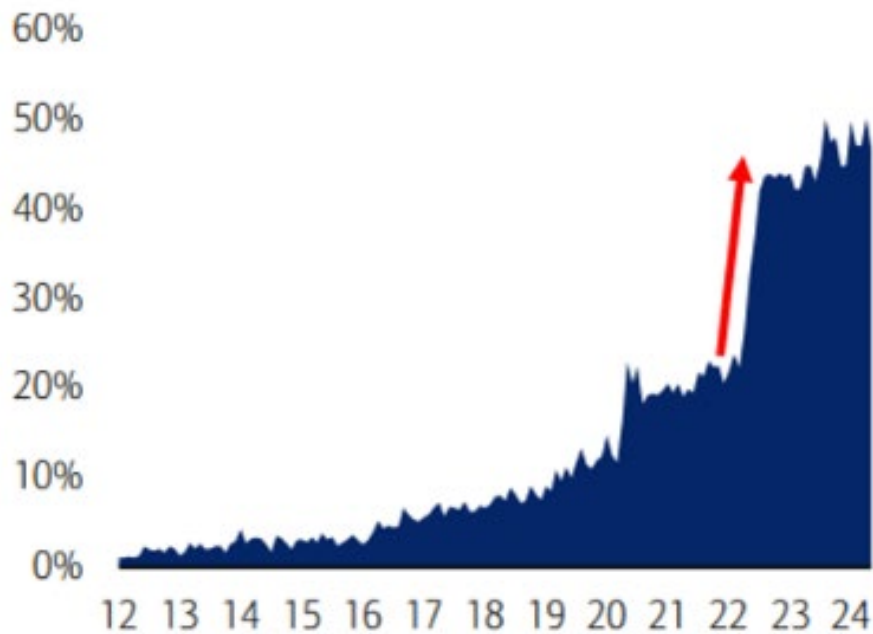


Data is as of 06.07.2024. Sources: Bloomberg L.P.; The Daily Shot.

- Zero-day S&P 500 Index options now account for almost 50% of overall S&P options volume.

Exhibit 141: 0-day S&P options volume now accounts for nearly half of all S&P options volume

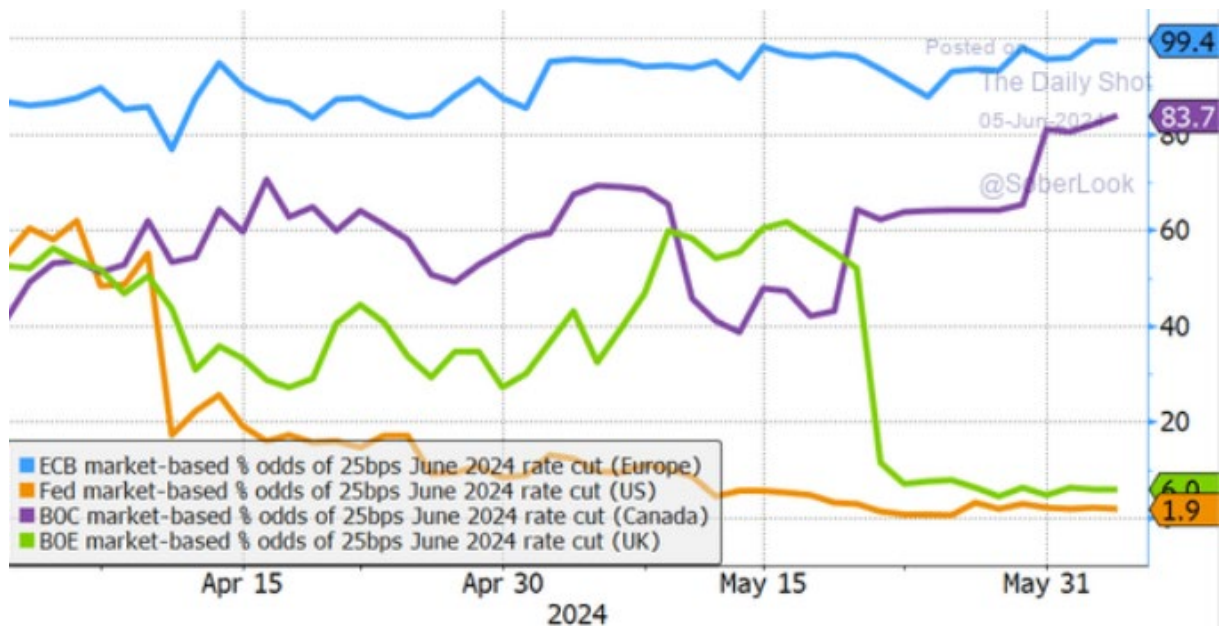
SPX 0-days to expiry option volume as a % of total options volume (as of 5/2024)



Data is as of 05.31.2024. Sources: Deutsche Bank Research; The Daily Shot.

Fixed Income Markets

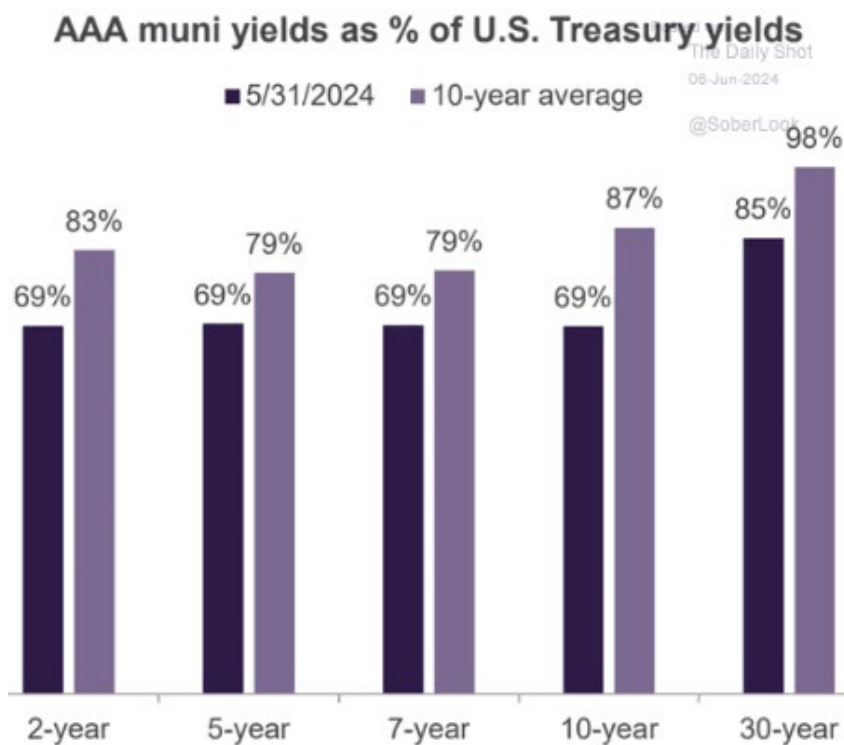
- Futures markets correctly expected the European Central Bank (ECB) and Bank of Canada (BOC) to cut rates in June, while the Fed and the Bank of England (BOE) are not expected to cut rates this month.



Data is as of 06.07.2024. Sources: Bloomberg L.P.; The Daily Shot.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on pages 6-7.

- Municipal bond yields, when compared to their trailing 10-year average, are now trading at less attractive valuations versus Treasuries.



Data is as of 05.31.2024. Sources: Bloomberg L.P.; The Daily Shot.

U.S. Economic and Political News

- Weekly jobless claims ticked up slightly but remained near long-term lows.

International Markets and News

- European markets (STOXX 600 Index) rose 1.0% as the ECB cut its deposit rate by 0.25% to 3.75%. However, ECB President Lagarde said the ECB is “not pre-committing to a particular rate path.”
- The Chinese stock market (Shanghai Composite) fell 1.2%, despite the value of new home sales by the top 100 developers rising 11.5% in May, up from April’s 3.4% increase.
- Japanese equities (Nikkei 225 Index) rose 0.5% as Japan’s May Purchasing Managers’ Index data suggested that the country’s services sector continued to expand at a healthy pace.

This Week:

- The volume of corporate earnings reports will be moderate this week.
- Economic data:
 - Monday: Limited economic data;
 - Tuesday: NFIB Small Business Index, Redbook Chain Store, API Crude Inventories;
 - Wednesday: Federal Open Market Committee Meeting/Fed Funds Target, CPI, MBA Mortgage Purchase Applications, Hourly Earnings/Average Workweek, Treasury Budget, DOE Crude Inventories;

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- Thursday: PPI, Jobless Claims, EIA Natural Gas Inventories;
- Friday: Export Prices, Import Prices, Michigan Consumer Sentiment (Preliminary).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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A Note on Indices: The volatility of an index varies greatly. All indices are unmanaged, and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500®. The index includes the same constituents as the capitalization-weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The S&P MidCap 400® Index provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: The **fed funds rate** refers to the interest rate that depository institutions (such as banks and credit unions) charge other depository institutions for overnight lending of capital from their reserve balances on an uncollateralized basis. **The Federal Open Market Committee (FOMC)** is the branch of the Federal Reserve System (FRS) that determines the direction of monetary policy in the U.S. by directing open market operations (OMOs). The committee is made up of 12 members, including seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four of the remaining 11 Reserve Bank presidents, who serve on a rotating basis. **Nonfarm payroll** refers to the number of jobs in the private sector and government agencies. It excludes farm workers, private household employees, proprietors, non-profit employees, and actively serving military. The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The **ISM Non-Manufacturing Index** is based on surveys of more than 400 non-manufacturing (services) firms' purchasing and supply executives in 60 different sectors.

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