

Weekly Market Recap

July 8, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500® Index	5,567	2.0%	16.7%
Dow Jones Industrial Average	39,376	0.7%	4.5%
NASDAQ	18,353	3.5%	22.3%
Russell 2000® Index	2,027	-1.0%	0.0%
MSCI EAFE Index	2,349	1.5%	5.1%
Ten-Year Treasury Yield	4.28%	-0.1%	0.4%
Oil WTI ¹ (\$/bbl ²)	\$83.12	1.9%	16.0%
Bonds ³	\$97.58	0.5%	-0.4%

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 as cooling inflation data and weaker labor market data supported the narrative for the Federal Reserve (Fed) to cut the short-term interest rate at their September meeting (Fed futures markets now pricing a 78% chance of a rate cut). Fed Chair Jerome Powell stated there has been “quite a bit of progress” getting inflation back to the 2.0% target. The June payrolls report beat analyst’s expectations, though two previous months were revised down by a combined -111k, while the unemployment rate rose for a third-straight month to 4.1% (the highest level since November of 2021). Annualized wage growth of 3.86% was also the lowest since May 2021. Bloomberg gross domestic product (GDP) growth expectations for 2024 saw its first markdown for the year to 2.3%. The 10-year Treasury yield fell to 4.28% from a 4.38% level. Gold was up +2.5%, while WTI crude increased +1.9%.
- S&P 500 Index Sector Returns:
 - Communication services (+3.9%) rose, led by social media, internet search, and streaming stocks.
 - Technology (+3.9%) rose, led by select software stocks.
 - Consumer discretionary (+3.8%) rose with strength from autos.
 - Consumer staples (+1.0%), utilities (+0.6%), and healthcare (-1.0%) underperformed, as investors appeared to favor less-defensive stocks.
 - Financials (+0.9%) rose, led by fin-tech and banks.
 - Real estate (-0.3%) fell, led lower by office, apartments, and cell towers.
 - Materials (-0.5%) fell, led lower by chemical companies.
 - Industrials (-0.6%) fell, led lower by aerospace and defense stocks, airlines, and transports.
 - Energy (-1.3%) fell, despite the price of WTI rising +1.9%.

- Historically, when the S&P 500 Index generates at least a 10% return in the first 100 days of a calendar year, the average return for the full year is 24%, with 96% of years finishing with positive returns.

Exhibit 18: A strong start is typically followed by a solid rest of the year

S&P500 returns through the year after a strong first 100 days (>10%)

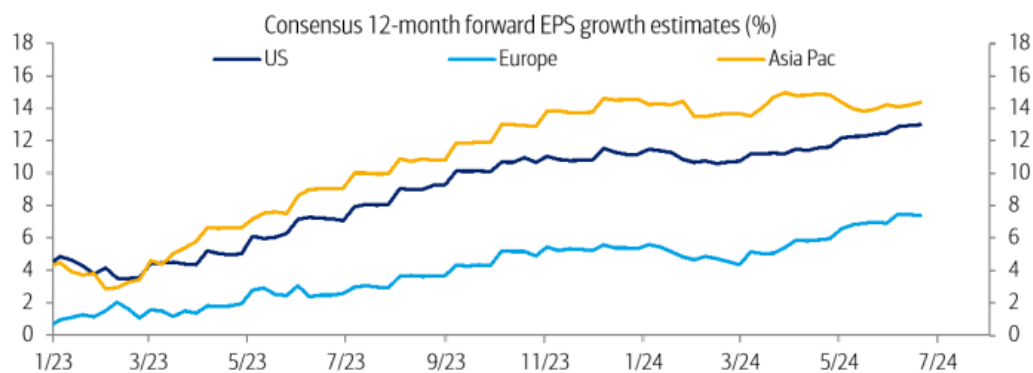
#	Year	S&P 500 Price Returns		
		First 100 days	Rest of the Year	Annual
1	1928	13%	23%	38%
2	1930	12%	-36%	-28%
3	1933	45%	-1%	44%
4	1943	23%	-3%	19%
5	1945	11%	18%	31%
6	1950	11%	9%	22%
7	1954	17%	24%	45%
8	1961	14%	8%	23%
9	1963	11%	7%	19%
10	1967	12%	7%	20%
11	1975	32%	0%	32%
12	1976	10%	8%	19%
13	1983	18%	0%	17%
14	1985	12%	13%	26%
15	1986	14%	0%	15%
16	1987	19%	-15%	2%
17	1989	15%	11%	27%
18	1991	14%	11%	26%
19	1995	15%	17%	34%
20	1996	10%	9%	20%
21	1997	14%	15%	31%
22	1998	13%	13%	27%
23	2013	16%	12%	30%
24	2019	13%	14%	29%
25	2021	12%	14%	27%
Average		16%	7%	24%
Win Ratio		100%	76%	96%
26	2024	10%		

Sources: Bank of America; Bloomberg L.P.

- 12-month forward earnings estimates continue to rise in the U.S., Europe, and Asia Pacific regions.

Exhibit 7: Consensus 12-month forward EPS growth projections are trending up across regions

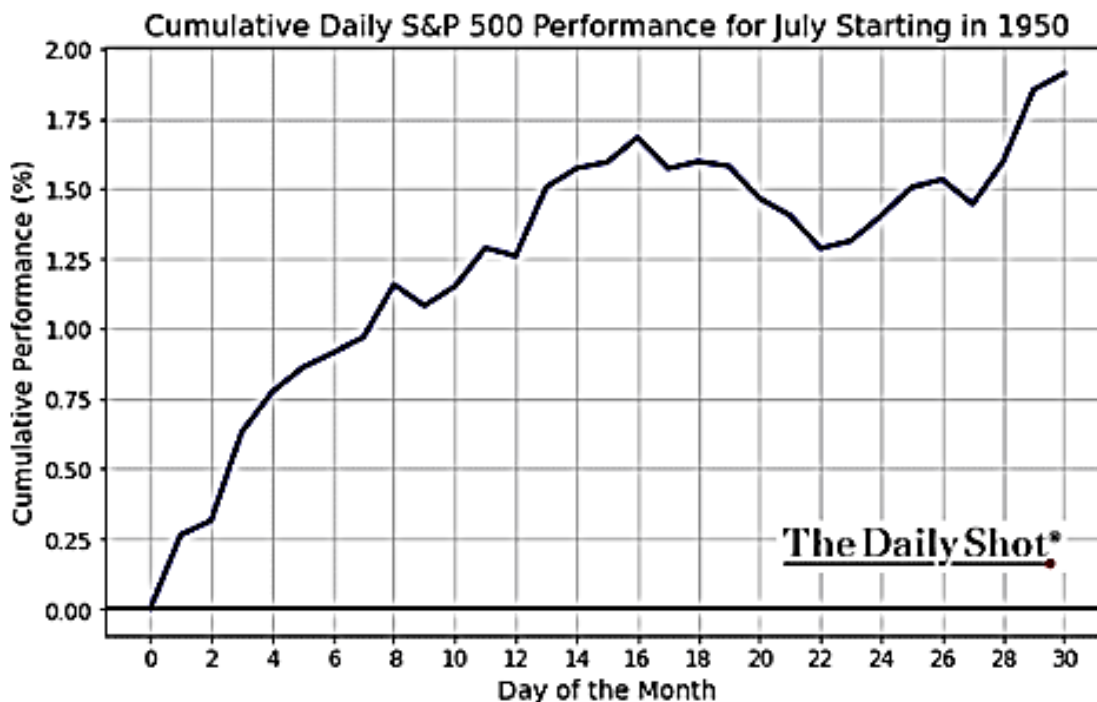
Consensus 12-month forward EPS growth estimates (%): US | Europe | Asia Pac



EPS: earnings per share. Sources: MSCI; IBES; Refinitiv; Bank of America.

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 page 6-7.

- Historically, July has been an attractive month for S&P 500 Index's performance.



- Historically, the S&P 500 Index has generated an average return of +9% six months before the Fed's first rate cut, and a +12% average return after the first rate cut when the US economy did not see a recession.

Exhibit 19: More often than not, the S&P500 delivered positive returns going into the first rate cut

S&P500 returns since 1950 when the US economy did not see a recession within a year of the first Fed rate cut

#	Fed First Rate Cut Date	S&P500 Price Returns (% , USD)							
		6 months before	5 months before	4 months before	3 months before	3 months after	4 months after	5 months after	6 months after
1	4/7/1967	22%	11%	9%	9%	3%	7%	6%	9%
2	8/30/1968	11%	10%	1%	1%	10%	5%	4%	-1%
3	11/19/1971	-9%	-7%	-7%	-7%	15%	18%	19%	19%
4	11/21/1984	6%	6%	10%	-2%	10%	9%	10%	15%
5	6/6/1989	17%	16%	10%	10%	8%	11%	3%	7%
6	7/6/1995	20%	15%	14%	9%	5%	6%	12%	11%
7	9/29/1998	-4%	-4%	-4%	-8%	18%	22%	18%	25%
Average		9%	7%	5%	2%	10%	11%	10%	12%

Sources: Bloomberg L.P.; Bank of America.

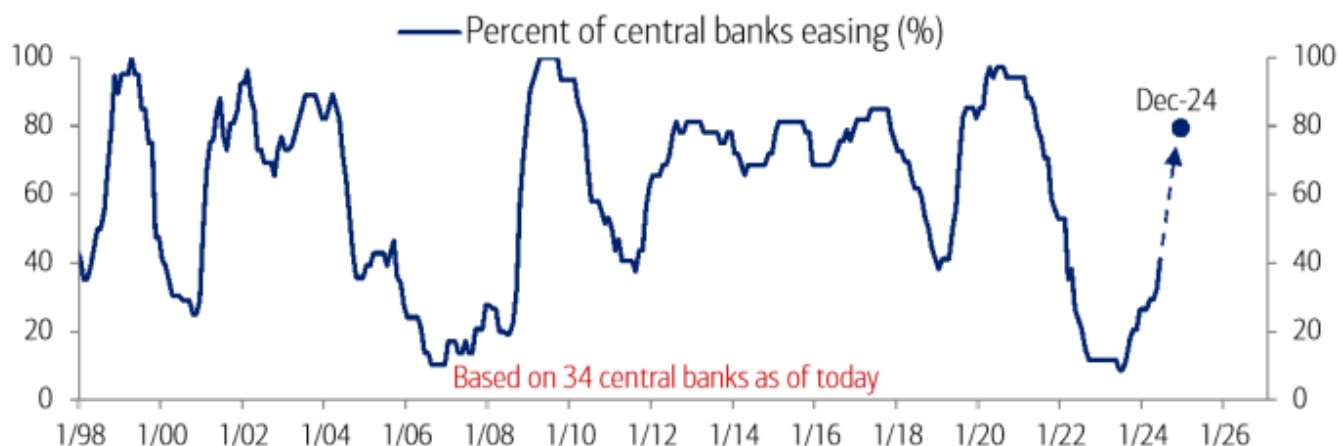
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Fixed Income Markets

- 80% of global central banks (including the US Fed) are expected to be in easing mode by the end of 2024, according to Bloomberg L.P.

Exhibit 13: 80% of global central banks are expected to be in easing mode by the end of 2024 vs only 10% in July 2023

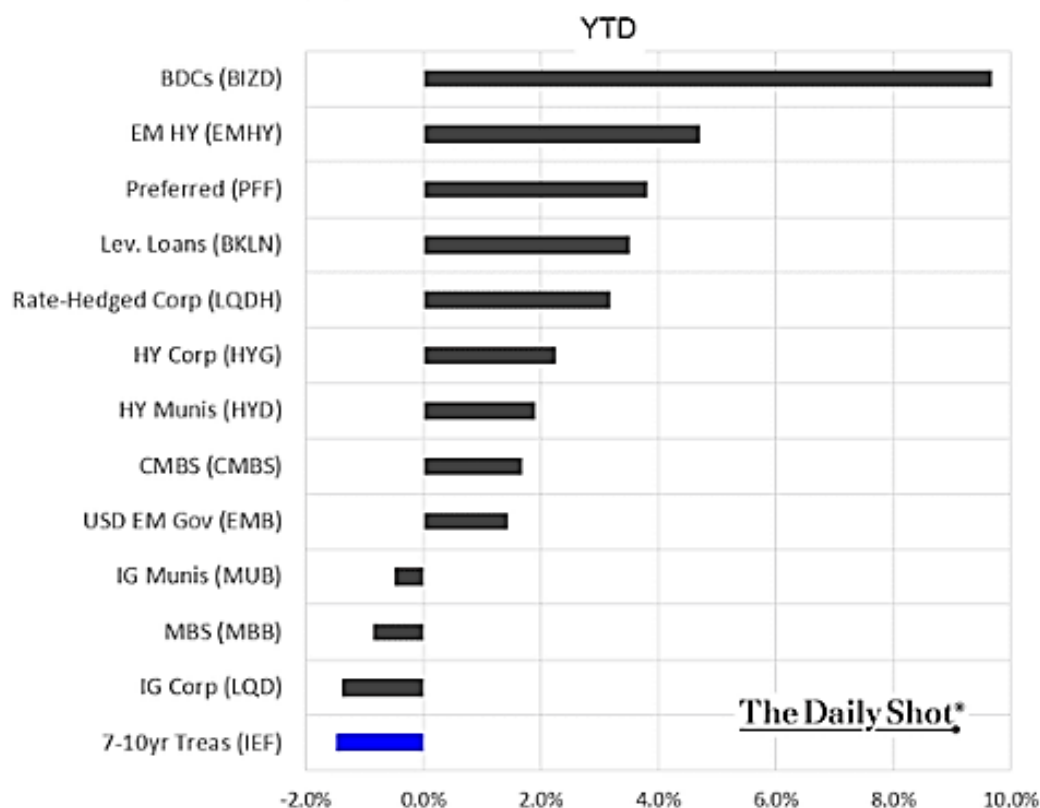
Percent of central banks in easing mode



Data as of 7/02/24. Sources: Bloomberg L.P.; Ned Davis Research; Bank of America.

- Higher yield/higher risk fixed income outperformed US government bonds (7-10 year treasuries) in the first half of 2024.

Credit Asset Returns (TR): 29-Dec-23 to 28-Jun-24



BDC: business development company; BKLN: Invesco Senior Loan ETF; CMBS: commercial mortgage-backed security; EM: emerging market; HY: high yield; IEF: iShares 7-10 Year Treasury Bond ETF; IG: investment grade; LQDH: iShares Interest Rate Hedged Corporate Bond ETF; MBB: mortgage-backed bond. Sources: Bloomberg L.P.; The Daily Shot.

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U.S. Economic and Political News

- Wednesday's June Institute for Supply Management (ISM) Services missed analyst's expectations and fell back into contraction territory with the lowest level since May of 2020.
- June ISM Manufacturing also missed analyst's expectations, again in contraction territory, but held below 50 (below 50 indicates contraction).
- Disinflation traction was also seen in June ISM Services prices paid, which fell to 56.4, the lowest level since March (and second lowest since June 2023). June ISM Manufacturing prices paid of 52.1 was the lowest since December 2023.

International Markets and News

- European markets (STOXX 600 Index) rose +1.0% as the far right in France failed to win an outright majority in the first round of legislative elections on June 30. The Labour Party won the U.K. general election on July 4th with a large majority.
- The Chinese stock market (Shanghai Composite) fell as weaker manufacturing data reinforced concerns about a slowing Chinese economy.
- Japanese equities (Nikkei 225 Index) rose +3.4% as the Japanese Yen continues to be weak, which is typically a tailwind for Japan's export-focused industries.

This Week:

- The volume of corporate earnings reports will be light this week.
- Economic data:
 - Monday: Consumer Credit;
 - Tuesday: National Federation of Independent Business (NFIB) Small Business Index, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Department of Energy (DOE) Crude Inventories, Wholesale Inventories;
 - Thursday: Consumer Price Index (CPI), Energy, Initial Jobless Claims, Continuing Claims, Energy Information Administration (EIA) Natural Gas Inventories, Treasury Budget, Hourly Earnings, Average Workweek;
 - Friday: Producer Price Index (PPI), 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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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 depositary 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 Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan.

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 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 Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

Earnings per share (EPS) is a measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned. It's calculated by dividing the company's net income by the total number of outstanding shares.

Fed funds futures are financial futures contracts based on the federal funds rate and traded on the Chicago Mercantile Exchange (CME) operated by CME Group Inc. **Gross domestic product (GDP)** is a standard measure of a country's economic health and an indicator of its standard of living. Also, GDP can be used to compare the productivity levels between different countries.

The ISM Manufacturing Index, commonly known as the ISM Manufacturing Purchasing Managers Index (ISM PMI), is a monthly gauge of the level of economic activity in the manufacturing sector in the United States versus the previous month. **The ISM Prices Paid** represents business sentiment regarding future inflation. A high reading is seen as positive for the USD, while a low reading is seen as negative. The survey is based on telephone interviews that gather information on consumer expectations for the economy.

National Federation of Independent Business (NFIB), the largest political advocacy organization in the United States that represents small and independent businesses. NFIB was founded in 1943, and it provides resources to small business owners and managers and works to influence national and state public policy.

The Producer Price Index (PPI) measures the average change over time in the prices domestic producers receive for their output. It is a measure of inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category. The index is published monthly by the U.S. Bureau of Labor Statistics (BLS). (Technical definitions are sourced from Corporate Finance Institute.)

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