

Weekly Market Recap

July 15, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	5,615	0.9%	17.7%
Dow Jones Industrial Average	40,001	1.6%	6.1%
NASDAQ	18,398	0.2%	22.6%
Russell 2000 [®] Index	2,148	6.0%	6.0%
MSCI EAFE Index	2,403	1.6%	7.4%
Ten-Year Treasury Yield	4.18%	-0.1%	0.3%
Oil WTI ¹ (\$/bbl ²)	\$82.27	-1.1%	14.8%
Bonds ³	\$98.39	0.8%	0.6%

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

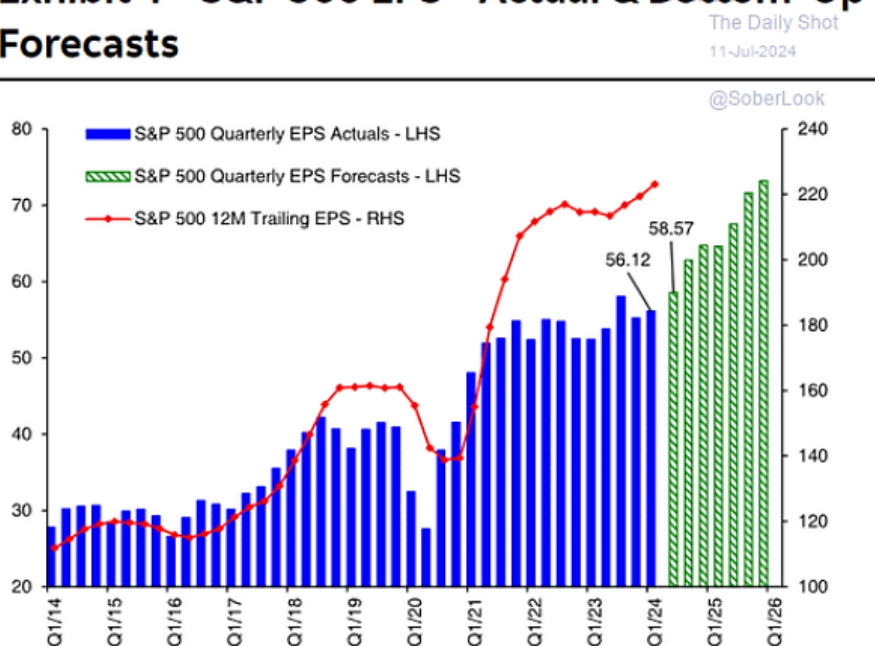
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +0.9% as Thursday's June core Consumer Price Index (CPI) data (-0.1% decline month-over-month) came in cooler than analyst expectations for a +0.1% rise, which supports the narrative for the Federal Reserve (Fed) to cut short-term interest rates. However, the June Producer Price Index (PPI) came in higher than analyst expectations, with higher margins boosting producer prices for services in June. The CME FedWatch odds for a September rate cut are now sitting at ~88% after June CPI & PPI releases. Fed Chair Jerome Powell highlighted the two-sided risks to the economy with a weakening labor market to be just as risky as inflation, though he cautioned cutting rates too soon could reverse progress on inflation. The 10-year Treasury yield fell to 4.18% from a 4.28% level. Gold was up +1.0%, while WTI crude fell -1.1%.
- S&P 500 Index Sector Returns:
 - Real estate (+4.4%) rose as rates declined, led by cell towers, offices, and public storage.
 - Utilities (+3.9%) and healthcare (+2.7%) outperformed, as interest rates declined.
 - Materials (+3.0%) rose, led by paint, chemical companies, and precious metals miners.
 - Industrials (+2.4%) rose, led by transports, power management, and logistics stocks.
 - Financials (+2.0%) rose, led by asset managers and banks with weakness from digital payments.
 - Technology (+0.5%) rose, led by select software stocks.
 - Energy (+0.5%) rose, despite the price of WTI falling -1.1%.
 - Consumer discretionary (+0.4%) rose, with strength travel stocks, home builders, retail, and autos.
 - Consumer staples (+0.1%) were flat.
 - Communication services (-3.6%) fell, led lower by social media, streaming stocks, and internet search.

- Analysts expect the S&P 500 Index to continue generating healthy earnings growth ahead.

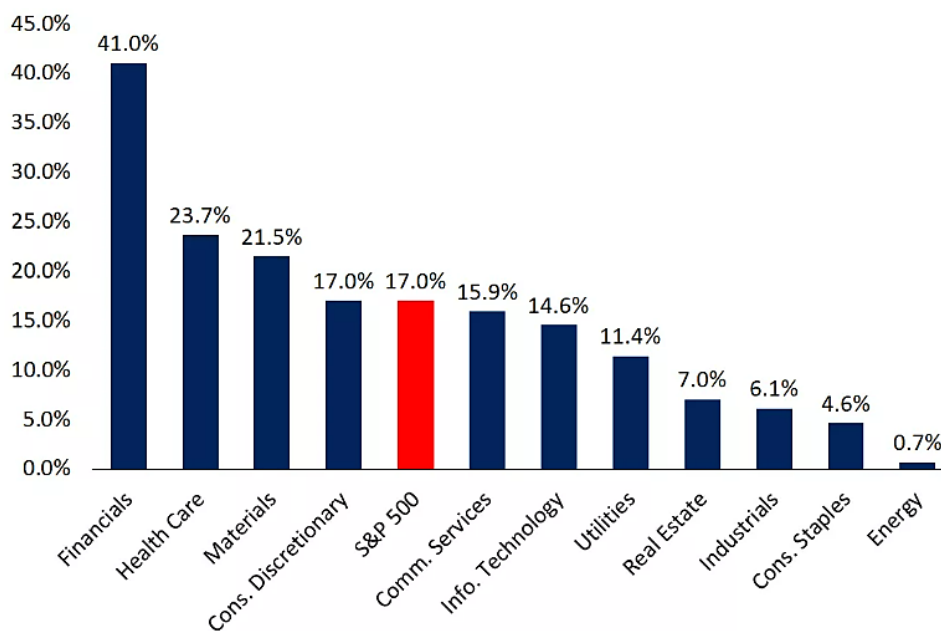
Exhibit 1 - S&P 500 EPS - Actual & Bottom-Up Forecasts



EPS: earnings per share. LHS/RHS: left-hand side/right-hand side. Sources: Scotiabank GBM Portfolio Strategy; FactSet; The Daily Shot.

- The chart below shows that Q4 earnings growth expectations (year-over-year) are expected to be quite strong for many sectors outside of information technology.

By Q4, earnings growth should broaden out beyond tech

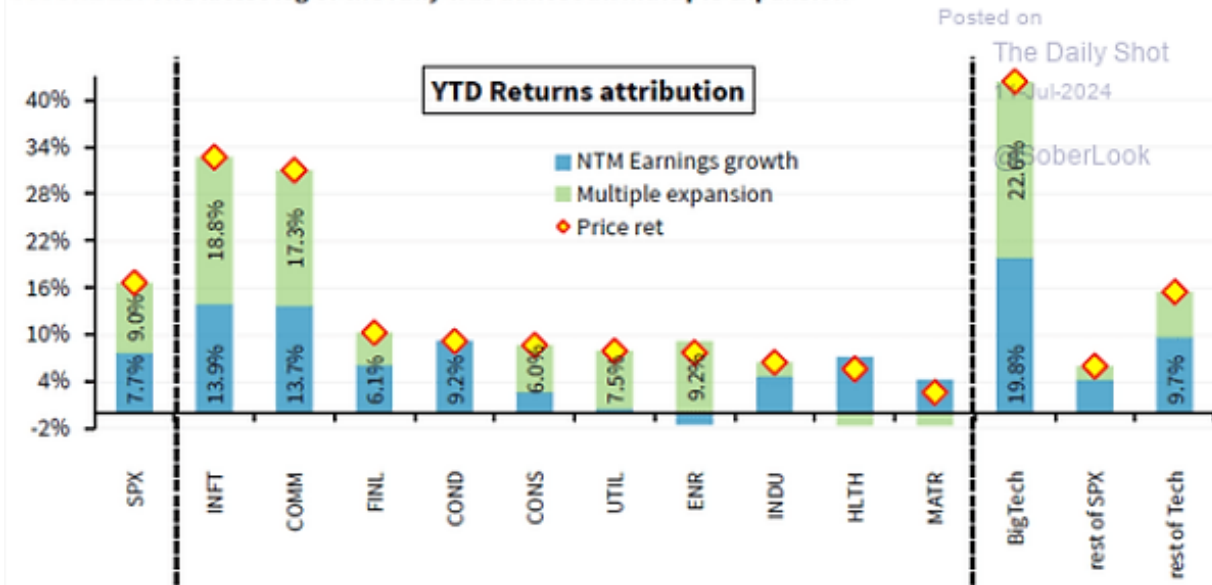


Sources: Edward Jones; FactSet. Data is as of 07.10.2024.

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.

- The chart below shows the year-to-date return attribution by sector. Information technology and communication services sectors appeared to benefit from both earnings growth (blue) and multiple expansion (green).

FIGURE 13. The latest leg of the rally was almost all multiple expansion



NTM: next twelve months. SPX: S&P 500 Index. The rally is referencing the YTD return for the S&P 500 Index. Sources: Bloomberg L.P.; LSEG Data & Analytics; Barclays Research; The Daily Shot. Data is as of 07.05.2024.

- The momentum factor continues to outperform in 2024.



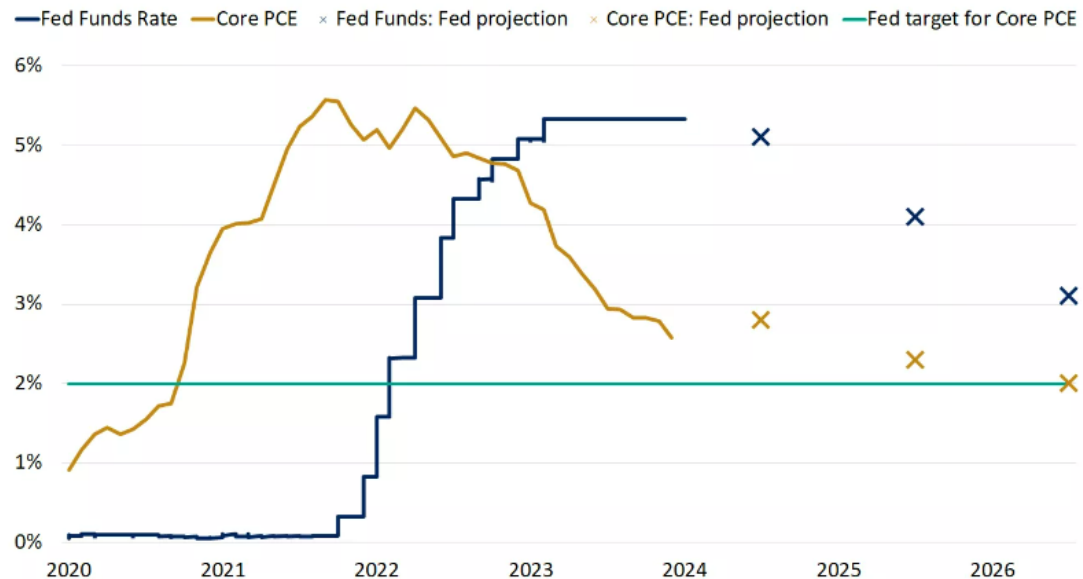
Sources: Bloomberg L.P.; Bank of America.

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Fixed Income Markets

- If inflation continues to moderate, the Fed may cut rates later in 2024, in 2025, and in 2026, according to federal funds projections.

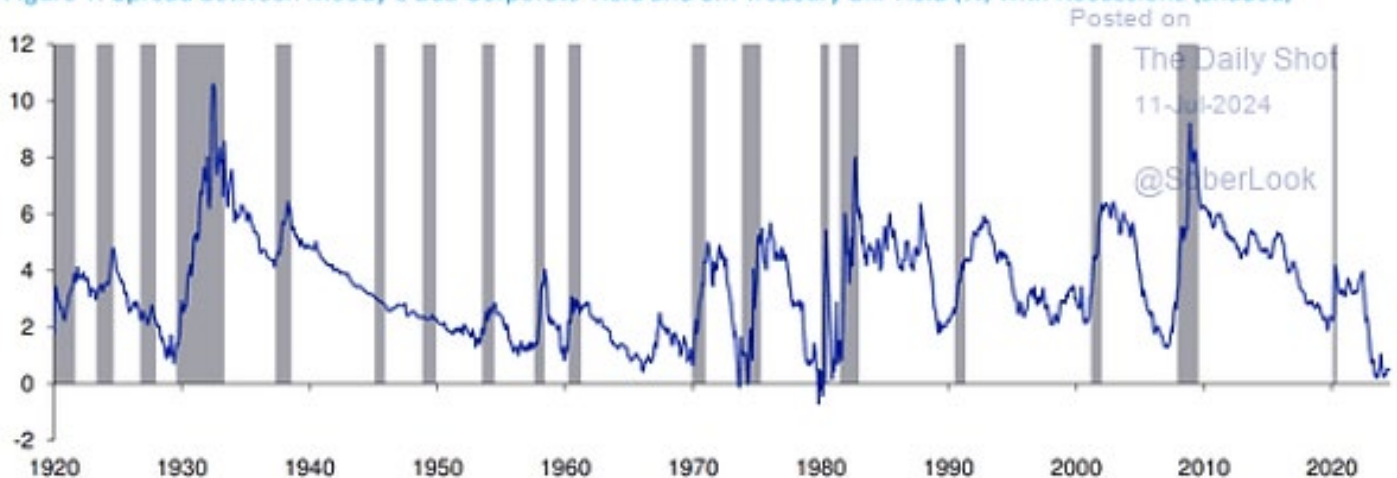
Moderating inflation should allow Fed to cut rates soon



PCE: personal consumption expenditures. Sources: Federal Reserve Bank of St. Louis and June FOMC summary of economic projections; Edward Jones.

- The long-dated credit spread to T-bills is near this cycle's flattest point. This tightness suggests that investors are paid close to the smallest amount in history to take both credit and duration risk of a Baa Corporate Bond relative to investing in a three-month Treasury bill.

Figure 1: Spread between Moody's Baa Corporate Yield and 3m Treasury Bill Yield (%) with Recessions (shaded)



Sources: Bloomberg L.P.; The Daily Shot.

U.S. Economic and Political News

- The cooler-than-expected June CPI appeared to attract investor attention, with analysts highlighting a long-awaited deceleration in rent and OER (owners' equivalent rent) toward pre-pandemic levels. Other inflation data that saw declines included new vehicles (down -0.2% month-over-month), used vehicles (down -1.5% month-over-month), and airfares (down -5.0% month-over-month).

International Markets and News

- European markets (STOXX 600 Index) rose +1.5% along with U.S. markets, while U.K. gross domestic product (GDP) grew +0.4% in May from a slower April.
- The Chinese stock market (Shanghai Composite) rose +0.7% as strong export data offset concerns about deflation and economic weakness.
- Japanese equities (Nikkei 225 Index) fell at the end of the week as traders speculated that Japanese authorities intervened in the foreign exchange markets to support the Japanese yen following a surge in the value of the yen against the U.S. dollar.

This Week:

- The volume of corporate earnings reports will ramp up this week led by the banks.
- Economic data:
 - Monday: Empire Manufacturing, Fed Chair Powell public speaking event;
 - Tuesday: Export Prices, Import Prices, Retail Sales, Business Inventories, National Association of Home Builders (NAHB) Housing Market Index, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories, Fed Governor Adriana Kugler speaking event;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Building Permits, Housing Starts, Capacity Utilization, Industrial Production, Fed Governor Christopher Waller speaking event, U.S. Department of Energy (DOE) Crude Inventories;
 - Thursday: Philadelphia Fed Index, Leading Indicators, Treasury International Capital (TIC) Flows, Weekly Jobless Claims, Fed Governor Michelle Bowman speaking event, Energy Information Administration (EIA) Natural Gas Inventories;
 - Friday: N.Y. Fed President John Williams speaking event.

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.
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Performance is compared to an index, however, the volatility of an index varies greatly. 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 S&P 500® Momentum is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance.

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 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: By referring to CME Group's deep and liquid market for Fed Funds futures, the **CME FedWatch Tool** can translate market prices into expectations for the level of rates in the future and, consequently, any hikes or cuts that the Federal Reserve might make to its target rate. **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. **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 Moody's Baa Corporate Bond Yield** measures the yield on corporate bonds that are rated Baa. Corporate bonds are rated based on their default probability, health of the corporation's debt structure, as well as the overall health of the economy. **The NAHB Housing Market Index (HMI)** is designed to gauge and track the pulse of the single-family housing market. The HMI is based on a monthly survey of single-family builders who are asked to rate three specific conditions of the housing market. **Owners' equivalent rent (OER)** is the amount of rent that would have to be paid in order to substitute a currently owned house as a rental property. This value is also referred to as the rental equivalent. **Personal consumption expenditures (PCE)**, also known as consumer spending, is a measure of the spending on goods and services by people of the United States. **The Philadelphia Federal Index** (or Philly Fed Survey) is a regional federal-reserve-bank index measuring changes in business growth. It is also known as the "Manufacturing Business Outlook Survey." **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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