

# Weekly Market Recap

July 22, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 <sup>®</sup> Index	5,505	-2.0%	15.4%
Dow Jones Industrial Average	40,288	0.7%	6.9%
NASDAQ	17,727	-3.6%	18.1%
Russell 2000 <sup>®</sup> Index	2,184	1.7%	7.8%
MSCI EAFE Index	2,383	-1.5%	6.5%
Ten-Year Treasury Yield	4.24%	0.1%	0.4%
Oil WTI <sup>1</sup> (\$/bbl <sup>2</sup> )	\$78.76	-4.2%	9.9%
Bonds <sup>3</sup>	\$98.05	-0.4%	0.8%

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

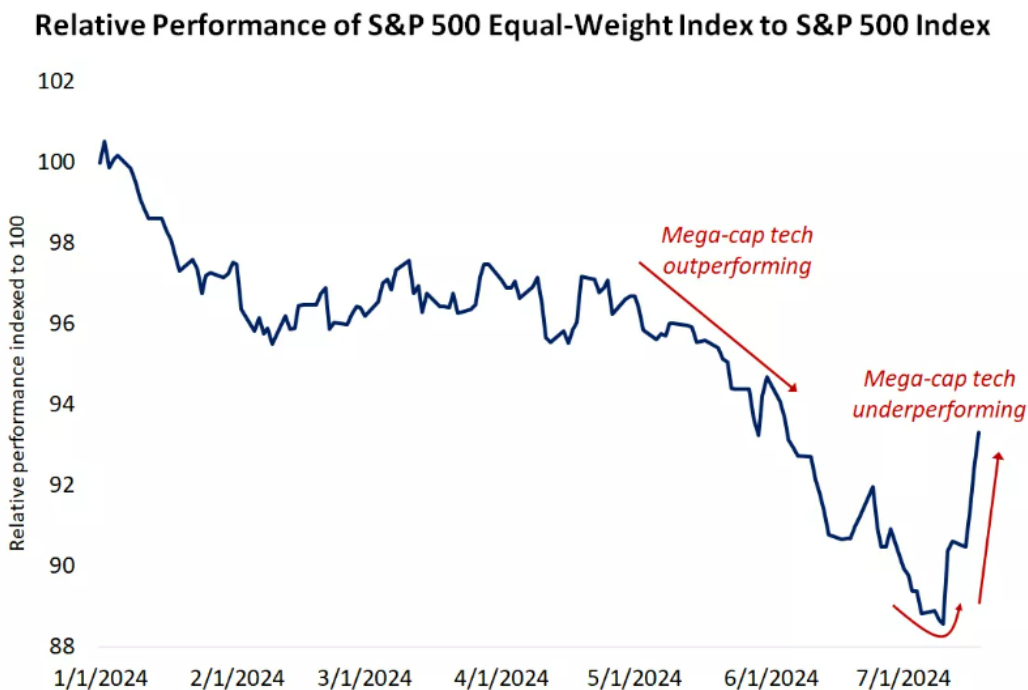
## Last Week:

### U.S. Equity Market

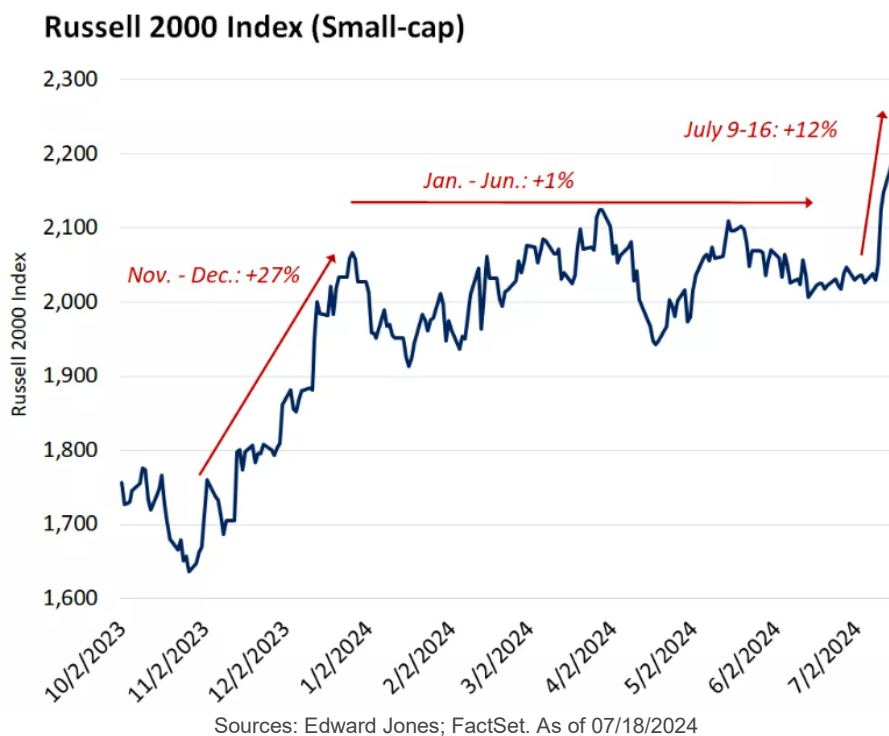
- U.S. large-cap equities (S&P 500 Index) fell -2.0% as investors appeared to rotate away from mega-cap tech, growth, and momentum stocks, and into previously out-of-favor groups including small caps and value equities. Part of this rotation is likely driven by the increasing probabilities that the Federal Reserve (Fed) will cut interest rates at their September meeting as well as the “Trump trade”, as market expectations for a Trump presidential victory continue to rise. On Sunday, President Biden announced that he will end his presidential re-election campaign and endorsed Vice President Kamala Harris to replace him as the Democratic nominee. June retail sales were flat against expectations for a monthly decline, while weekly initial jobless claims ticked up. The 10-year Treasury yield rose to 4.24% from a 4.18% level. Gold fell -0.1%, while WTI crude fell -4.2%.
- S&P 500 Index Sector Returns:
  - Energy (+2.0%) rose, despite the price of WTI falling -4.2%.
  - Real estate (+1.3%) rose, led by office, apartments, and cell towers.
  - Financials (+1.2%) rose, led by banks.
  - Consumer staples (+0.9%), healthcare (-0.3%), and utilities (-1.6%) outperformed, as investors favored more-defensive sectors.
  - Industrials (+0.6%) rose, led by airlines, aerospace and defense, transports, power management, and logistics stocks.
  - Materials (-0.5%) fell, led lower by chemical companies.
  - Consumer discretionary (-2.7%) fell, with weakness from tech, travel stocks, retail, and autos.
  - Communication services (-2.9%) fell, led lower by social media, streaming stocks, and internet search equities.
  - Technology (-5.1%) dropped, led lower by semiconductors and software stocks.

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.

- The S&P 500 Equal-Weight Index outperformed the market-cap weighted S&P 500 Index in the last two weeks as mega-cap tech underperformed the rest of the S&P 500 Index.



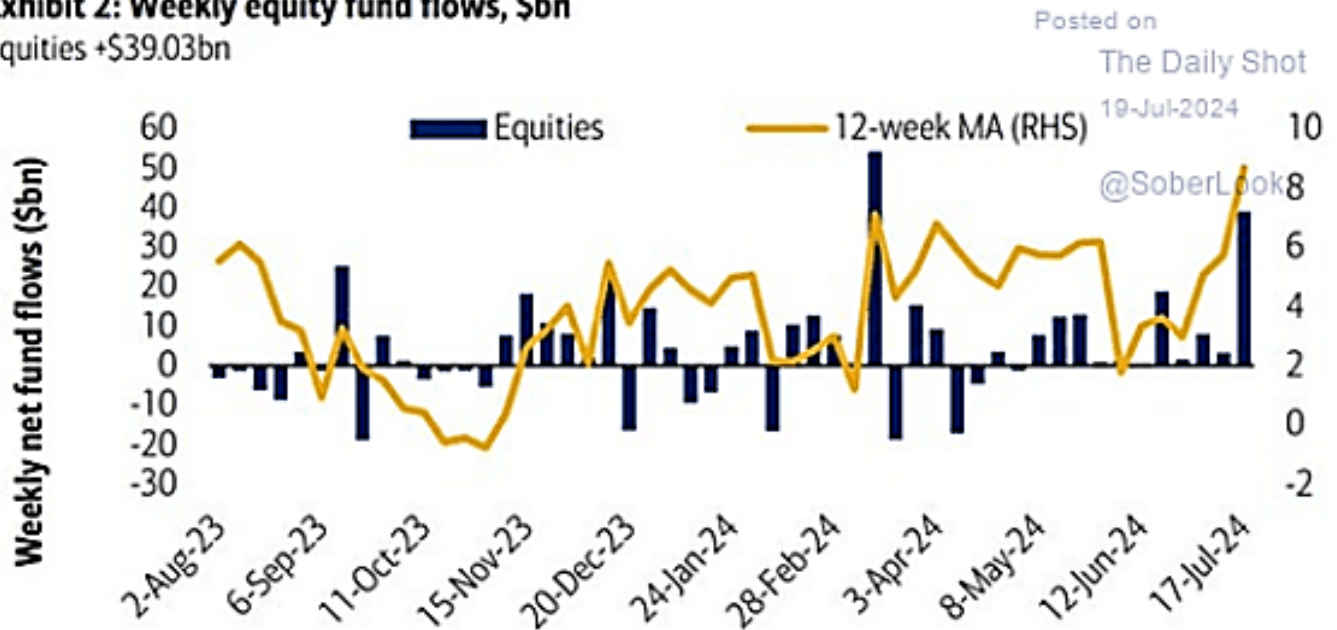
- Small-cap stocks rallied last week with increased expectations for an upcoming interest rate cut.



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- Weekly equity fund flows have been strong since early May, despite a mid-June dip.

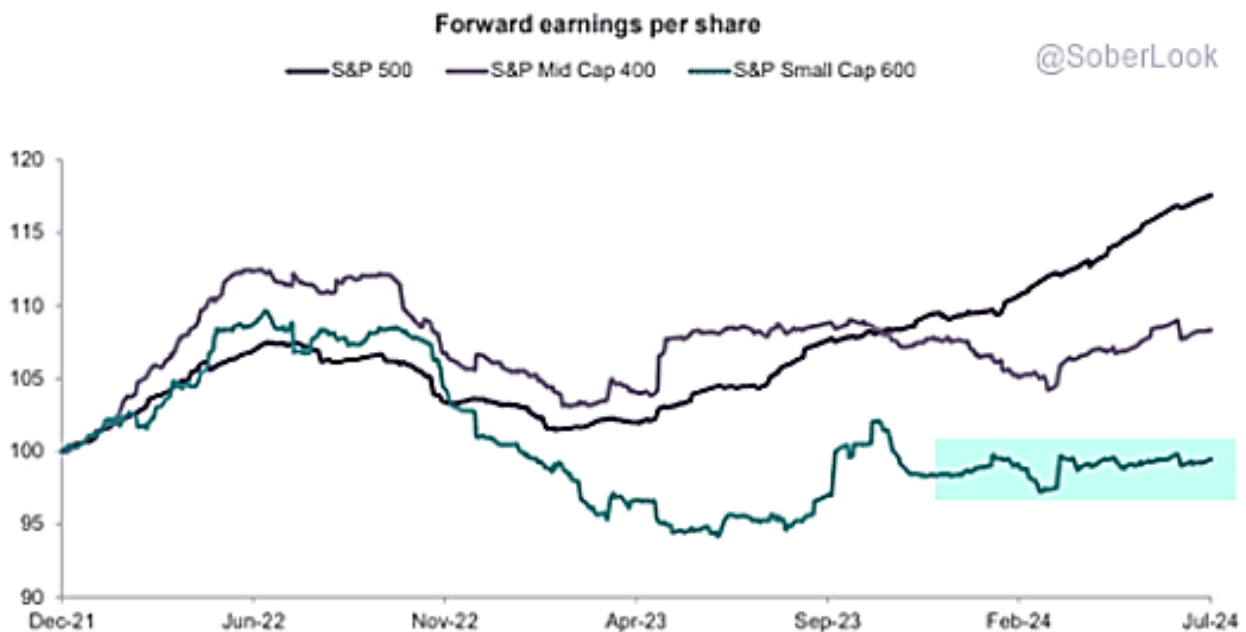
**Exhibit 2: Weekly equity fund flows, \$bn**  
Equities +\$39.03bn



MA: moving average; LHS: left-hand side; RHS: right-hand side. Sources: Bank of America; Emerging Portfolio Fund Research (EPFR); The Daily Shot.

- Expectations for earnings growth for large-caps are higher than mid-caps and small-caps. Will the small-cap rally continue without an improvement in earnings growth?

**Earnings improvement key for a rally beyond the shorter term for small caps, as large cap trends are currently stronger**

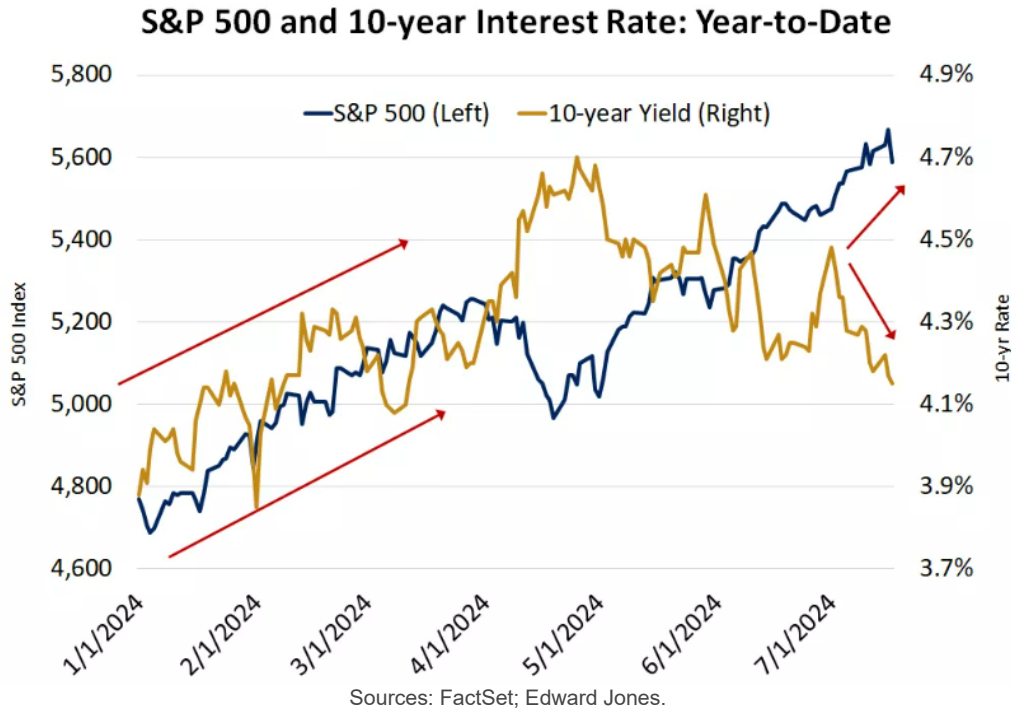


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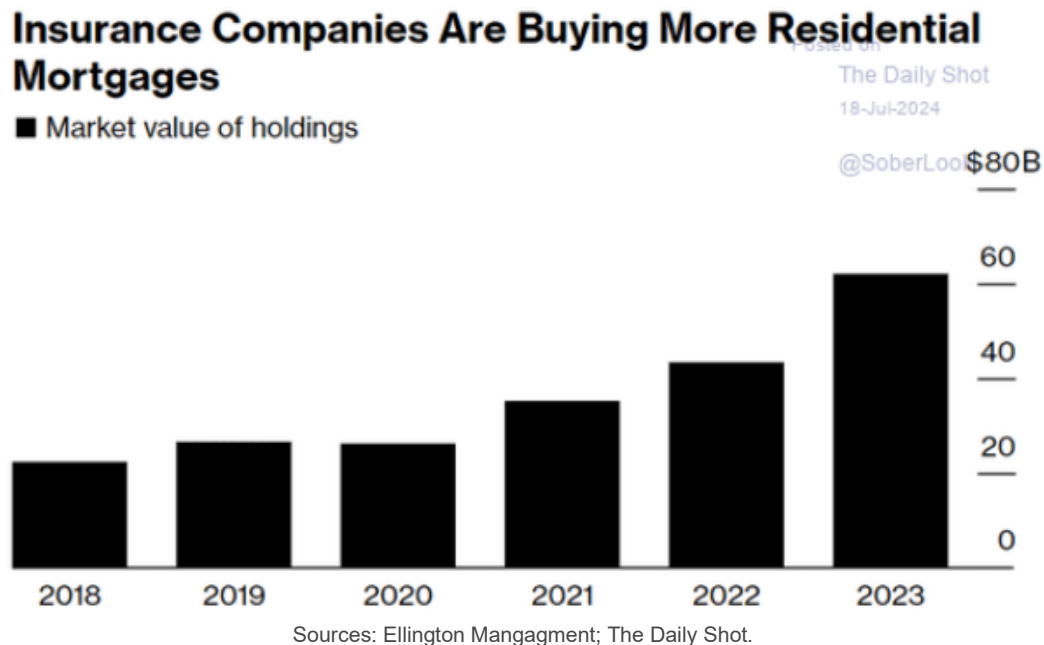
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## Fixed Income Markets

- U.S. equities have rallied on the expectations of a soft landing of the U.S. economy and eventual decline in interest rates, likely driven by the Fed cutting short-term rates.



- Insurance firms have been buying mortgage loans directly rather than via mortgage-backed securities (MBS).



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## U.S. Economic and Political News

- July's Empire State Manufacturing Index improved a bit but remained in contraction.
- The Philadelphia Fed's manufacturing index hit its highest level since April.
- June housing starts and permits topped analyst's expectations, though National Association of Home Builders (NAHB) homebuilder sentiment was weaker.

## International Markets and News

- European markets (STOXX 600 Index) fell -2.7% along with U.S. markets, the European Central Bank (ECB) kept its key interest rates unchanged at 3.75% as expected.
  - Speaking with the press following the July policy meeting, ECB President Christine Lagarde said a rate cut in September was "wide open," adding that risks to economic growth were "tilted to the downside" and inflation would fluctuate at current levels for the rest of the year before declining in the second half of 2025.
- The Chinese stock market (Shanghai Composite) rose +0.4% as Q2 gross domestic product (GDP) grew +4.7% year-over-year.
- Japanese equities (Nikkei 225 Index) fell -2.7% as several Japanese semiconductor stocks dropped on concerns of tighter U.S. restrictions on exporters of advanced technology to China.

## This Week:

- The volume of corporate earnings reports will ramp up this week led by the banks.
- Economic data:
  - Monday: Limited U.S. data;
  - Tuesday: Existing Home Sales, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Purchasing Managers' Index (PMI) Manufacturing Preliminary, PMI Services Preliminary, New Home Sales, Department Of Energy (DOE) Crude Inventories;
  - Thursday: Durable Orders, Wholesale Inventories, Q2 GDP, Q2 GDP Chain Price, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Core Personal Consumption Expenditures (PCE), Personal Spending, Personal Income, Michigan Consumer Sentiment (Final).

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 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®** refers to a benchmark index published by Standard & Poor's (S&P). The index is comprised of 400 companies that broadly represent companies with midrange market capitalization between \$3.6 billion and \$13.1 billion.

**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 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.

**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 Empire State Manufacturing Index** rates the relative level of general business conditions New York state. A level above 0.0 indicates improving conditions, below indicates worsening conditions. The reading is compiled from a survey of about 200 manufacturers in New York state.

Technical Terms: The "**core**" **PCE price index** is defined as personal consumption expenditures (PCE) prices excluding food and energy prices. **Fund flow** is the cash that flows into and out of various financial assets for specific periods of time. **Gross domestic product (GDP)** is a standard measure of a country's economic health and an indicator of its standard of living. **Mega cap** is a designation for the largest companies in the investment universe as measured by market capitalization. While the exact thresholds change with market conditions, mega cap generally refers to companies with a market capitalization above \$200 billion. **Mortgage-backed securities (MBS)** are investments like bonds. Each MBS is a share in of a bundle of home loans and other real estate debt bought from the banks or government entities that issued them. 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. **The Purchasing Managers' Index (PMI)** is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors. **The Trump Trade** describes the shift in market behavior and investor actions in response to the economic policies and political moves associated with a potential Trump presidency. (Technical definitions are sourced from Corporate Finance Institute.)

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