

# Weekly Market Recap

July 29, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 <sup>®</sup> Index	5,459	-0.8%	14.5%
Dow Jones Industrial Average	40,589	0.7%	7.7%
NASDAQ	17,358	-2.1%	15.6%
Russell 2000 <sup>®</sup> Index	2,260	3.5%	11.5%
MSCI EAFE Index	2,325	-1.5%	4.0%
Ten-Year Treasury Yield	4.19%	0.0%	0.3%
Oil WTI <sup>1</sup> (\$/bbl <sup>2</sup> )	\$76.84	-2.3%	7.2%
Bonds <sup>3</sup>	\$98.32	0.3%	0.5%

<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.

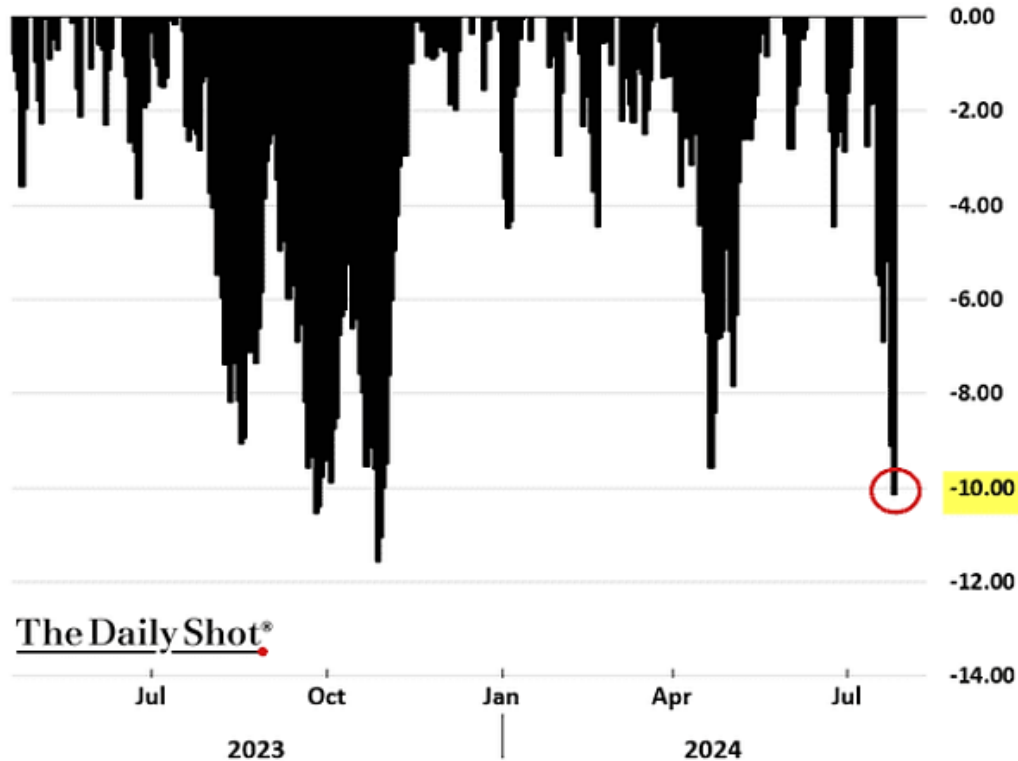
## Last Week:

### U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -0.8% as investors continued to rotate away from mega-cap tech, growth, and momentum stocks, and into previously out-of-favor groups including small caps and value equities. July flash manufacturing Purchasing Managers' Index (PMI) fell into contraction territory, and June existing home sales fell to the slowest pace since December 2023, both of which added to concerns about slowing U.S. economic growth. The 10-year Treasury yield fell to 4.19% from a 4.24% level. The dollar index was down -0.1%, gold fell -0.8%, and WTI crude fell -2.3%.
- S&P 500 Index Sector Returns:
  - Utilities (+1.5%), healthcare (+1.4%), and consumer staples (+0.5%) outperformed, as investors appear to favor more-defensive sectors.
  - Materials (+1.4%) rose, led by paint and chemical companies.
  - Financials (+1.3%) rose, led by asset managers and banks.
  - Industrials (+1.1%) rose, led by aerospace and defense, transports, and logistics stocks.
  - Real estate (+0.5%) rose, led by offices and cell towers.
  - Energy (-0.2%) fell, as the price of WTI declined -2.3%.
  - Consumer discretionary (-2.3%) fell, with weakness from autos and travel stocks.
  - Technology (-2.4%) dropped, led lower by semiconductors and software stocks.
  - Communication services (-3.8%) fell, led lower by social media and streaming stocks.

- The S&P 500 Index entered correction territory (+10% drawdown) this past week, which was the first time since October 2023.

### S&P 500 Information Technology Index % Drawdown

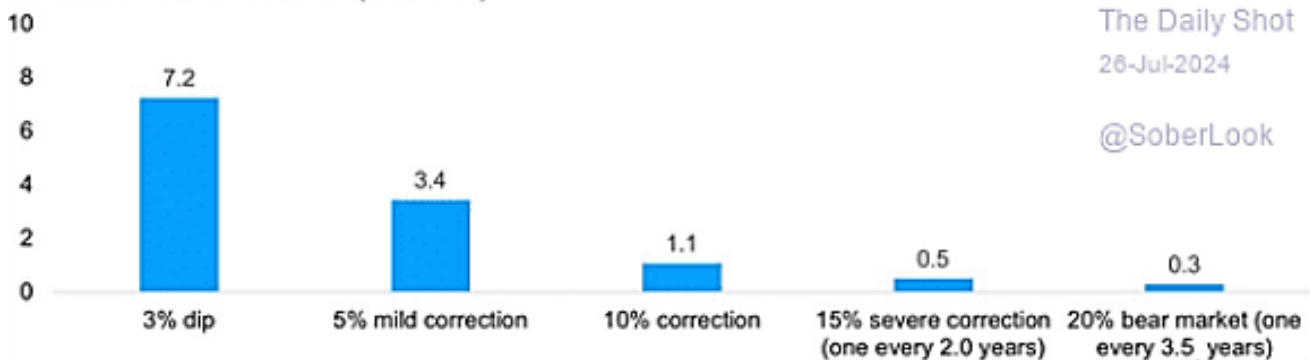


Y-axis is percentage. Sources: Bloomberg L.P.; The Daily Shot.

- Historically, the S&P 500 Index experiences at least one 10% correction per year and averages over three 5% corrections per year. The current volatility in July is expected for long-term equity investors.

### Volatility Is The Toll We Pay To Invest

S&P 500 Various Declines Per Year (1928 - 2023)

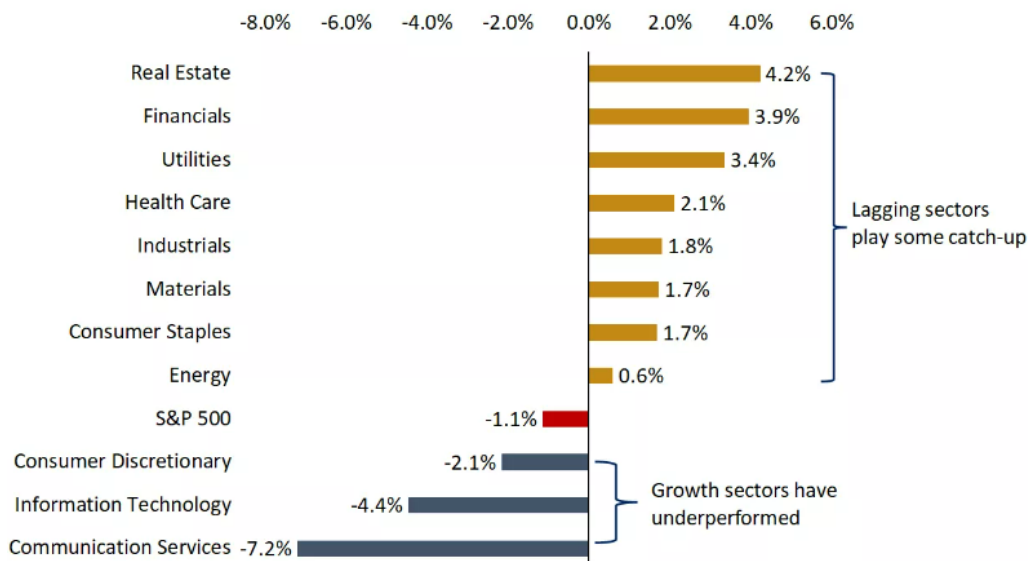


Sources: Bank of America; EPFR; The Daily Shot.

Posted on  
The Daily Shot  
26-Jul-2024  
@SoberLook

- Thus far in July, U.S. equity leadership has rotated to more value-oriented sectors like real estate, financials, utilities, health care, industrials, materials, consumer staples, and energy, which have outperformed the S&P 500 Index and the growthier sectors of communication services, technology, and consumer discretionary.

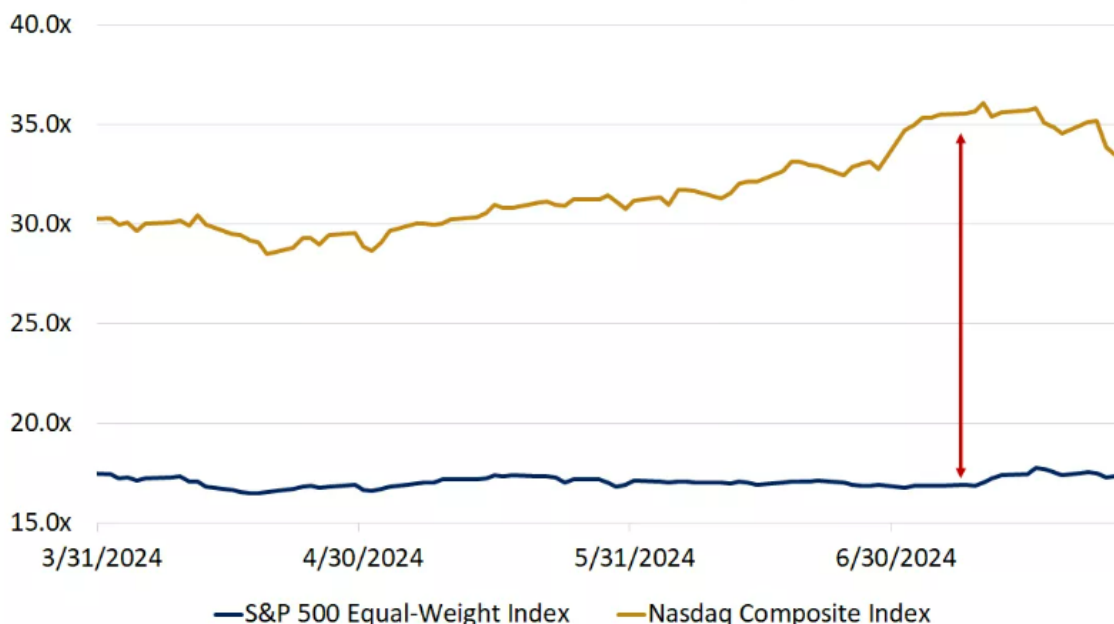
### S&P 500 Sector Returns, Month-to-date, July 2024



Sources: FactSet; Edward Jones.

- The valuations for the technology-heavy NASDAQ Index have been elevated for several months, which likely contributed to the recent drawdown for tech stocks.

### Valuation in technology-heavy Nasdaq may have been extended in recent weeks (Forward P/E multiple)

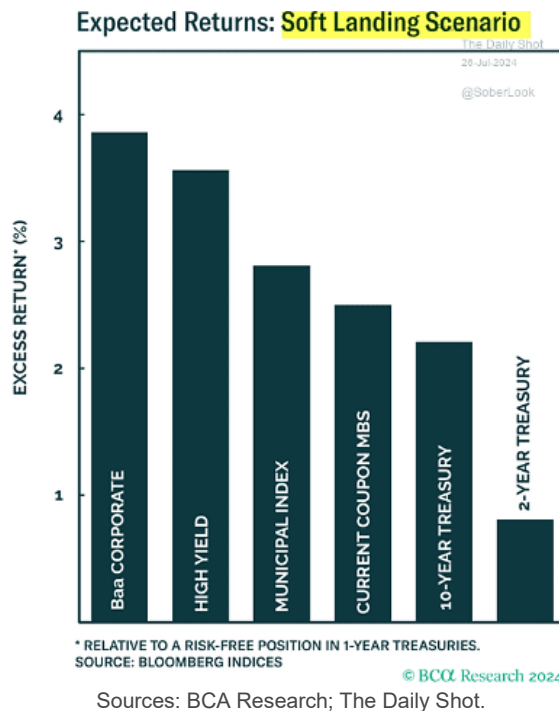


P/E: price-to-earnings ratio. Sources: Edward Jones; FactSet.

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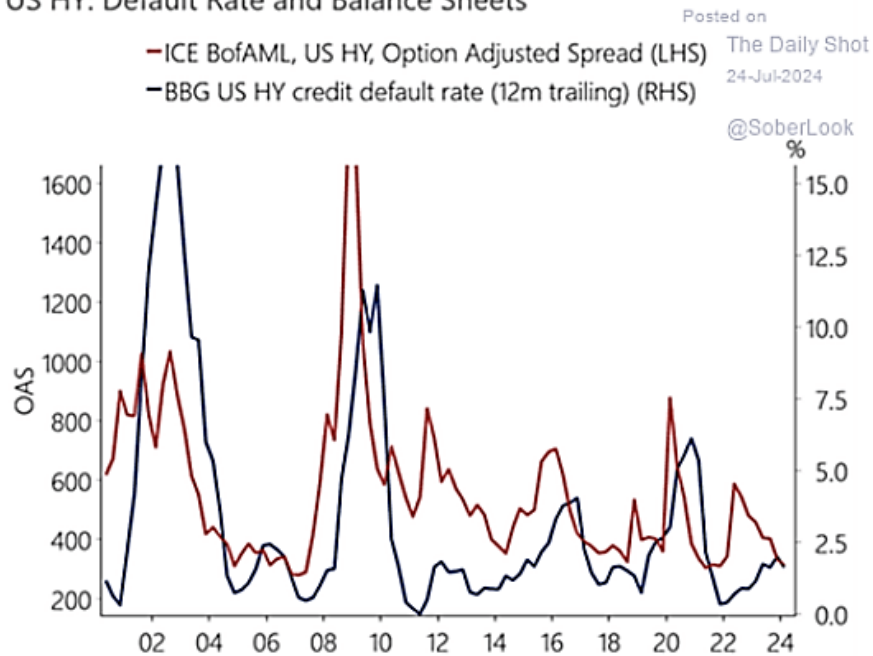
## Fixed Income Markets

- Baa corporate bonds and high yield bonds may generate attractive returns in a soft-landing scenario, according to BCA Research.



- Low default rates (blue line) have allowed credit spreads (red line) to remain tight.

### US HY: Default Rate and Balance Sheets



Right (RHS) Y-axis is percentage of Bloomberg U.S. High Yield credit default rate (12m trailing). Left (LHS) Y-axis is ICE BofAML, U.S. High Yield Option-Adjusted Spread (OAS). Sources: Oxford Economics/Macrobond; The Daily Shot.

## U.S. Economic and Political News

- The July Richmond Fed Index fell to the lowest level since May 2020.
- Initial jobless claims and continuing claims improved week-over-week, though initial claims were still at the highest level in nearly a year, and continuing claims were at the highest level since November 2021.

## International Markets and News

- European markets (STOXX 600 Index) rose +0.6% as core Eurozone government bond yields continued to decrease on weaker-than-expected readings from the region's flash PMI, which boosted expectations for monetary easing.
- The Chinese stock market (Shanghai Composite) fell -3.1% as unexpected rate cuts (The People's Bank of China cut its medium-term lending facility by 0.20%) failed to instill confidence in the economic outlook.
- Japanese equities (Nikkei 225 Index) fell -6.0% as the Japanese Yen continued to strengthen and Tokyo core Consumer Price Index (CPI) rose +2.2% year-over-year in July.

## 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: Federal Housing Finance Agency (FHFA) House Price Index, Job Openings and Labor Turnover Survey (JOLTS), Consumer Confidence, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Federal Open Market Committee Meeting/Fed Funds Rate Decision, Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Automatic Data Processing (ADP) Employment Report, Employment Cost Index, Chicago PMI, Pending Home Sales, Department of Energy (DOE) Crude Inventories;
  - Thursday: Challenger Job Cuts, Weekly Jobless Claims, Unit Labor Costs (preliminary), Productivity (preliminary), PMI Manufacturing Final, Construction Spending, Institute for Supply Management (ISM) Manufacturing Index, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, Factory Orders, Durable Orders.

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® Information Technology** comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

**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 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 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 Bloomberg U.S. Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

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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. **The FHFA House Price Index (HPI)** is a broad measure of the movement of single-family house prices. The FHFA HPI is a weighted, repeat-sales index, meaning that it measures average price changes in repeat sales or refinancings on the same properties. This information is obtained by reviewing repeat mortgage transactions on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac since January 1975. **The ICE BofA Option-Adjusted Spreads (OASs)** are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. **The job openings and labor turnover survey (JOLTS)** is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment. **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. **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 price-to-earnings (P/E) ratio** measures a company's share price relative to its earnings per share (EPS). Often called the price or earnings multiple, the P/E ratio helps assess the relative value of a company's stock. **The Purchasing Managers' Index (PMI)** is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors. **The Richmond Manufacturing Index** is a monthly composite index that represents a weighted average of the business conditions of manufacturing companies in the designated region that focuses shipments, new orders, order backlogs, capacity utilization, supplier lead times, number of employees, average work week, wages, inventories, and capital expenditures. (Technical definitions are sourced from Corporate Finance Institute.)

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