



Recap

Financial markets showed surprising resilience in June, despite anxieties about a sluggish economy and rising inflation. Stocks continued their grind higher, reaching record highs as investor confidence drove the S&P 500 to finish the month up 2.9%, with the Nasdaq and Dow Jones up 4.2% and 0.7%, respectively. First quarter, corporate earnings surpassed expectations with a healthy 5.9% year-over-year growth. Additionally, positive inflation data in June fueled some optimism that the Fed might cut rates later in the year, but the future trajectory of inflation remains a key concern. However, this potential shift towards a more dovish stance by the Fed was a welcome sign for investors. Economic indicators, while suggesting a slowdown, painted a picture of a stable “safe landing” economy, easing recession fears. Unfortunately, uncertainties persist, including geopolitical tensions and the upcoming U.S. elections, which could add volatility to markets. The Fed’s monetary policy decisions and inflation data will be crucial factors to watch. If earnings remain strong and the Fed adopts a more dovish stance, markets could see further growth although returns are likely to be more muted due to current valuations. The projected 8.8% earnings growth for next quarter does appear to be ambitious, especially given the signs of a softening economy. But staying aware of potential risks such as geopolitical events and election-year swings is vital for navigating the uncertainties that lie ahead.

Key Thought for The Week

Equity markets had a solid first half of 2024. The strength was surprising due to the profound shift in expectations regarding monetary policy. As the year began, Fed fund futures were pricing in six Fed fund rate cuts, and now futures suggest perhaps two cuts during the balance of the year. The market’s change in expectations was related to the slow pace of the decline of inflation and a better tone for the economy. Economic growth has been surprisingly solid despite many economists calling for the domestic economy to moderate from the cumulative effect of prior rate hikes. Final sales, which strip out the more volatile net exports and inventory accumulation component from GDP, have been sufficiently robust due to consumer consumption and business investment to maintain final sales well above the Fed’s long-run economic growth forecast of 1.8%. Final sales in the first half appear to be approximately 2.5%. Overall, better economic growth has allowed corporate earnings to have a strong showing. First-quarter earnings for the S&P 500 grew 5.9% year-over-year with broad participation as 79% of companies exceeded consensus estimates. Estimates before the beginning of the reporting period for Q1 were for earnings growth of 3.4%. In a few weeks, companies will begin reporting second-quarter results. According to FactSet, the second quarter’s consensus estimates for the S&P 500 are now 8.8%. Estimates for the index have been relatively stable throughout the second quarter despite 67 companies issuing negative guidance versus only 44 that have revised guidance higher. Consensus estimates for 2024 and 2025 are 11.3% and 14.4%, respectively. In our view, these expectations will be challenging, especially if the economy does soften in the second half. With forward multiples north of 21 times, multiple expansion is unlikely to generate much additional return. That leaves earnings as the primary driver of equity returns going forward.

	6/28/2024	Wk Net Change	Wk % Change	Div Yield	YTD Change	12 Mos % Change
STOCKS	Close					
DJIA	39,118.86	-31.47	-0.08	1.81	3.79	15.56
S&P 500	5,460.48	-4.14	-0.08	1.35	14.48	24.76
NASDAQ	17,732.60	43.24	0.24	0.74	18.13	30.47
S&P MidCap 400	2,930.09	-1.77	-0.06	1.65	5.34	13.79
EAFE	78.33	0.38	0.49	3.12	3.95	9.22
Emerging Market	58.53	-0.07	-0.13	2.77	5.83	9.04

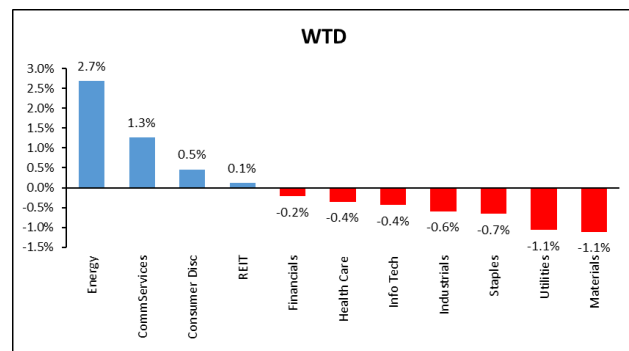
TREASURIES	Yield	FOREX Price	Wk % Change
1-Year	5.11	USD/EUR 1.07	-0.33
2-Year	4.76	JPY/USD 160.86	-0.79
5-Year	4.38	USD/GBP 1.26	-0.11
10-Year	4.40	CAD/USD 1.37	0.14
30-Year	4.56		

Source: FactSet

Sector - Large Cap

	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	819.86	-5.47	(0.7%)	(0.5%)	0.7%	7.5%
Health Care	1,700.33	-6.15	(0.4%)	1.8%	(1.4%)	6.9%
CommServices	310.19	3.87	1.3%	4.7%	9.1%	26.1%
Eco Sensitive						
Consumer Disc	1,492.14	6.85	0.5%	4.8%	0.4%	5.2%
Energy	698.23	18.21	2.7%	(1.4%)	(3.2%)	9.1%
Industrials	1,031.96	-6.21	(0.6%)	(1.0%)	(3.3%)	7.0%
Info Tech	4,341.09	-19.13	(0.4%)	9.3%	13.6%	27.8%
Materials	556.50	-6.27	(1.1%)	(3.3%)	(4.9%)	3.1%
Interest Rate Sensitive						
Financials	684.26	-1.47	(0.2%)	(1.0%)	(2.4%)	9.2%
Utilities	346.33	-3.73	(1.1%)	(5.8%)	3.9%	7.6%
REIT	240.05	0.28	0.1%	0.9%	(2.4%)	(4.3%)

COMING UP NEXT WEEK		Consensus	Prior
07/01 Markit PMI Manufacturing SA (Final)	(Jun)	51.7	51.7
07/01 ISM Manufacturing SA	(Jun)	49.7	48.7
07/02 JOLTS Job Openings	(May)	8,370K	8,059K
07/03 ADP Employment Survey SA	(Jun)	177.5K	152.0K
07/03 Factory Orders SA M/M	(May)	0.35%	0.70%
07/03 ISM Services PMI SA	(Jun)	52.4	53.8
07/05 Hourly Earnings SA M/M (Preliminary)	(Jun)	0.30%	0.40%
07/05 Hourly Earnings Y/Y (Preliminary)	(Jun)	3.9%	4.1%
07/05 Nonfarm Payrolls SA	(Jun)	207.5K	272.0K
07/05 Unemployment Rate	(Jun)	4.0%	4.0%



Russell Style Return

	WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large		(0.22%)	(0.03%)	0.13%		6.46%	14.08%	20.53%
Medium		(0.07%)	(0.23%)	(0.22%)		4.49%	4.86%	5.85%
Small		1.64%	1.27%	0.89%		(1.16%)	1.62%	4.37%