

Market Update – July 5, 2024

The Weekly Briefing

The case for rate cuts was strengthened following a series of soft economic data releases this week. The week's economic reports included contractionary signals from key manufacturing and services indicators, jobless claims that exceeded expectations and another increase in the unemployment rate. The unemployment rate now sits at 4.1% and has increased for three consecutive months.

The rate of change in a series is often more important than the absolute level. The Sahm Rule, developed by former Fed economist Claudia Sahm, attempts to identify the start of a recession based on the rate of change in the unemployment rate. According to the rule, a recession has started if the three-month moving average of the unemployment rate rises by 0.5% from its 12-month low. Currently the three-month moving average is 0.4% above its 12-month low.

The disappointing economic data drove a repricing of market-implied rate cut odds. According to the CME group, fed funds future prices implied a 75% chance of at least one rate cut at the September FOMC meeting, up from 65% a week ago and 50% in early June. The median expectation is for two rate cuts by year-end.

Lower benchmark interest rates will be a welcome development for many areas of the economy, especially financing-dependent areas such as real estate and construction. Reduced financing costs may spur a surge in activity from pent-up demand. While seemingly a constructive step overall, the Federal Reserve has to contend with the possibility of new demand reigniting overall inflation. The proverbial soft-landing is still a work in progress.

Market Snapshot

	Last Week	YTD	1yr
S&P 500	2.0%	17.6%	28.4%
DJIA	0.6%	5.5%	19.1%
Nasdaq 100	2.9%	21.7%	36.8%
Russell 2000	-1.0%	0.1%	8.6%
S&P 500 E/W	0.4%	4.7%	12.2%
2yr Yield	4.60%	+35bp	-34bp
10yr Yield	4.28%	+40bp	+35bp
VIX	12.5	0.0	(1.7)
WTI Crude	\$83.2	16.1%	15.8%
Gold	\$2,392	16.0%	24.9%
Bitcoin	\$56,366	34.4%	85.0%

Economic Summary

	Actual	Expected	Prior (r)
ISM Manuf. PMI	48.5	49.1	48.7
JOLTS openings	8,140k	7,946k	7,919k
ADP Payrolls	150k	165k	157k
Initial Jobless Claims	238k	235k	234k
Continuing Claims	1,858k	1,840k	1,832k
ISM Services PMI	48.8	52.7	53.8
Nonfarm Payrolls	206k	190k	193k
Unemployment Rate	4.1%	4.0%	4.0%
Avg Hrly Earnings - y/y	3.9%	3.9%	4.1%

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
		Consumer Price Index	Initial Claims Continuing Claims	Producer Price Index Umich Consumer Sentiment
			PEP (bmo) DAL (bmo)	JPM (bmo) WFC (bmo) C (bmo) BK (bmo) FAST (bmo)

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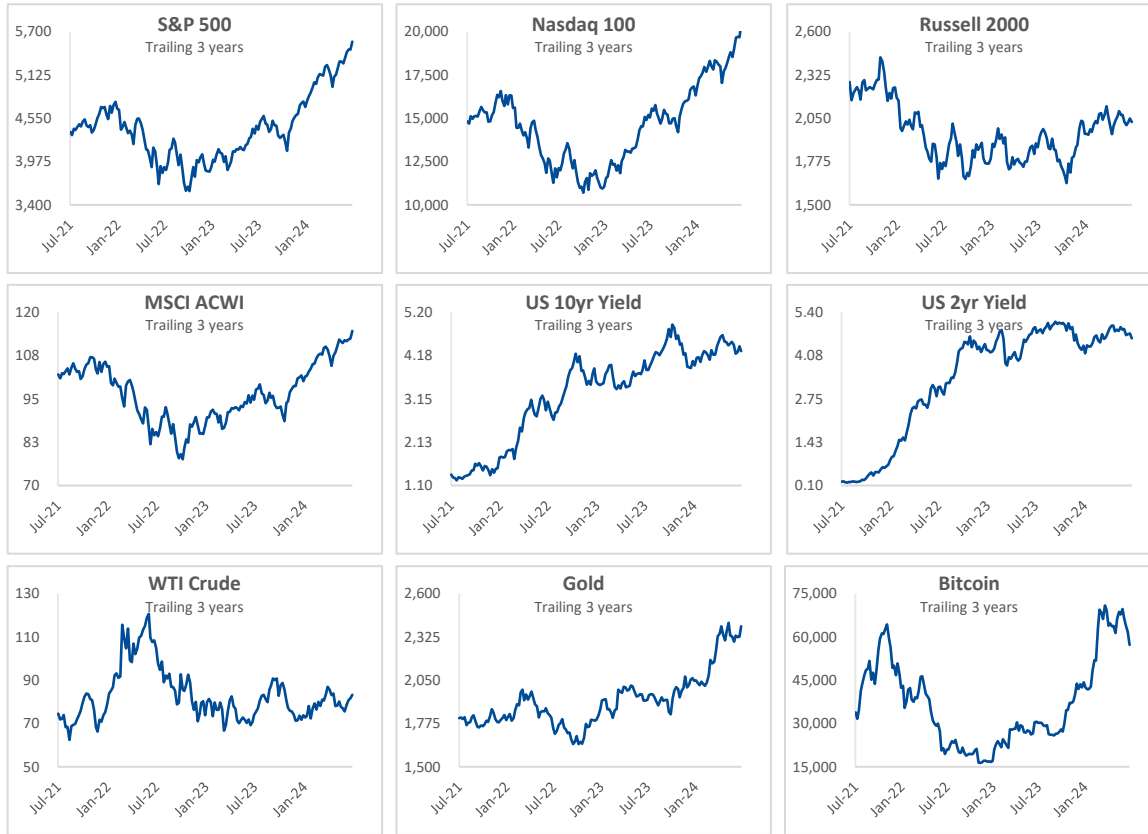
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WEALTH MANAGEMENT

Markets Monitor



S&P 500 Sector Heatmap Total Return YTD

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
17.6%	21.4%	6.3%	9.0%
Energy	Financials	Healthcare	Industrials
9.2%	11.3%	6.7%	7.0%
Materials	Real Estate	Technology	Utilities
3.6%	-2.8%	21.4%	10.0%

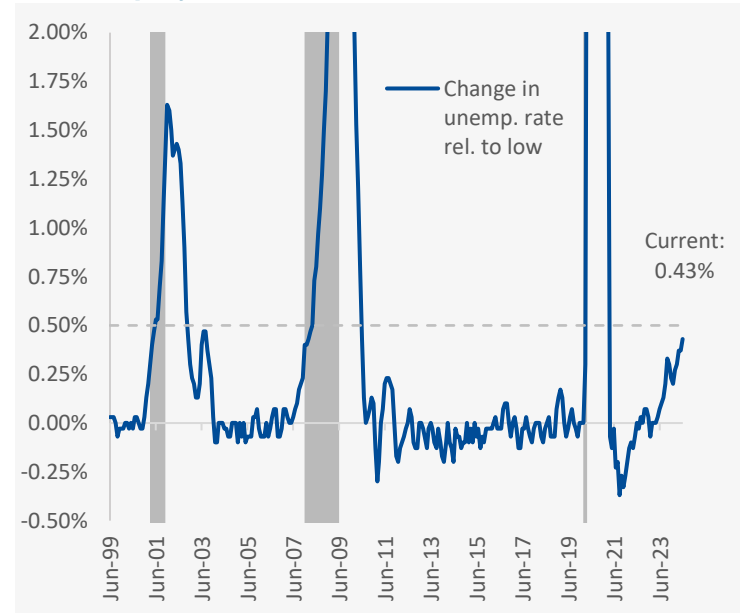
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
3-Jul	STZ	Beat	Miss	-3.3%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	1.8%	13.5%	23.4%
MSCI Europe	1.5%	7.9%	17.1%
MSCI APAC	2.3%	10.3%	16.7%
DXY Index	104.9	3.5%	1.5%
EUR / USD	\$1.09	-2.6%	-1.8%
GBP / USD	\$1.28	0.5%	0.7%
USD / JPY	160.8	14.0%	11.1%
USD / CNY	7.27	2.4%	0.2%

The Sahm Rule predicts the start of a recession based on a 0.5% increase in the three-month avg unemployment rate relative to its 12 month low



Scale truncated for legibility. Grey bars indicate recession. Sources: Bloomberg, FRED, NBER, CME Group, Logia Portfolio Management, Sunflower Bank.



WEALTH MANAGEMENT

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