



The Weekly Market Update – 7/15/24: A Shot Heard Around the World

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,615.35	0.87%	2.84%	17.73%	26.18%	5,633.91	0.3%
Dow Jones Industrial Average	40,000.90	1.59%	2.25%	6.13%	16.26%	40,003.59	0.0%
NASDAQ Composite	18,398.45	0.25%	3.75%	22.56%	33.44%	18,647.45	1.4%
Russell 2000	2,148.27	6.00%	4.91%	5.98%	13.74%	2,442.74	13.7%
MSCI EAFE (USD)	2,418.31	2.28%	4.48%	8.15%	13.44%	2,418.31	0.0%
MSCI Emerging Markets (USD)	1,123.56	1.69%	3.44%	9.75%	13.55%	1,444.93	28.6%
Bloomberg Commodity Index	100.75	-1.71%	-0.23%	2.14%	-0.71%	237.95	136.2%
Barclays U.S. Aggregate Bond	91.25	0.83%	1.44%	-0.49%	1.63%	112.07	22.8%

Source: FactSet

Politics take center stage after the weekend assassination attempt on former President Trump. By the grace of God, Donald Trump, by less than an inch, survived an attack by a thwarted gunman at a political rally in Pennsylvania on Saturday. With the U.S. presidential and national election less than four months away, and both major parties holding their national conventions over the next few weeks, the potential for unrest remains, in our opinion, and could disrupt financial markets. In early Monday trading at least, markets have reacted positively, with the widely followed S&P 500 equity index up about +0.5%. Interest rates (U.S. Treasury yields) were mixed with 2-year Treasuries trading at 4.45% (slight lower) and 10-year Treasuries slightly higher at 4.21%. Although a full investigation could take months, authorities have discussed a lone-gunner theory that, if true, could push back on fears of more disruptions, protests, or unrest ahead. Equity gains today could be driven by investors pricing in a higher likelihood of a Trump victory in November (thought to be a more business-friendly president), or perhaps market gains reflect the durability of the U.S. political system that provides a stable environment to move forward. We see little impact on economic activity from the weekend's tragedy (and we mourn the loss of life and injuries that occurred) for now, and companies prepare to deliver second quarter 2024 (2Q24) financial results with solid earnings growth expected. The Commerce Department will report its initial read on 2Q24 economic growth in ten days on 7/25/24, with gross domestic product (GDP) expected (FactSet consensus) to show growth of +1.9%. This would be above the 1Q24 growth rate of +1.4% and align with market expectations for an economic "soft landing" (slowing growth with no recession). As of 7/12/24, the consensus estimate for 3Q24 GDP growth was +1.5%, still fitting the soft-landing narrative, but slowing from 2Q24. Political unrest, if it builds prior to the election, could erode consumer confidence, creating elevated economic and market uncertainty. This could cause an equity market correction, in our view.

Small capitalization stocks delivered the best week of 2024 as investor sentiment surged following interest rate-friendly inflation data. The Russell 2000 (the most widely followed index of small company stocks) increased +6.0% last week alone, taking its year-to-date (YTD) gain (2024 through 7/12/24) to +6.0% (the index was flat YTD prior to last week). The June consumer price index (CPI, from the Bureau of Labor Statistics) increased +3.0% year-over-year (Y/Y, lowest since June 2023) and the month-to-month (M/M) change was down -0.1%, the first M/M decline since May 2020. While still above the Federal Reserve Bank's (Fed) +2% inflation target, the tamer reading drove the 2-year Treasury yield to 4.45% from 4.62%. A soft-landing economy and lower inflation trends give the Fed more leeway in pursuing a lower interest rate policy, and it is increasingly likely, in our view, the Fed will lower its overnight fed funds rate target range (currently 5.25% to 5.50%) in September. Small cap stocks can benefit from lower interest rates and economic growth, and we believe drove investor demand last week.

Important economic data for 2Q24 will be delivered this week as well as corporate earnings. The week's reports include retail sales (consumer), housing starts (home investment), and industrial production (manufacturing), all feeding into the +1.9% consensus estimate for 2Q24 GDP growth. 45 S&P 500 companies are scheduled to report earnings this week; as of 7/12/24, the weighted average index earnings are estimated to increase +9.1% Y/Y.

James D. Ragan, CFA
Director of WM Research
(206) 389-4070
jragan@dadco.com

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The S&P 400 Index is a market cap weighted index comprised of U.S. stocks in the middle capitalization range, generally considered to be between \$200 million and \$5 billion in market value. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an 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 is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

U.S. economic growth: Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. The most recent GDP report can be found at www.bea.gov. It is reported by the U.S. Bureau of Economic Analysis (BEA).

Earnings growth. We refer to the weighted average (based upon equity market capitalization) of the earnings per shares (EPS) of all S&P 500 companies compared to the prior period (generally year-over-year). We use data as reported in FactSet.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The minutes from the most recent FOMC meeting is [here](#).

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The U.S. Census reports annualized monthly data on housing starts, permits, and completions. It is a widely followed measure to track construction activity in the residential housing market. New home sales measures sales of new single-family homes and is a measure of the demand for housing. Home price data is monitored by the S&P CoreLogic Case-Shiller Home Price Index. Retail sales is reported monthly by the U.S. Census (Advance Estimates of U.S. Retail and Food Services, compiled from survey to 4,800 retail and food service firms.

Industrial Production is reported by the U.S. Federal Reserve. The industrial production (IP) index measures the real output of the manufacturing, mining, and electric and gas utilities industries.

The National Bureau of Economic Research (NBER) is a private non-profit research organization. The NBER is widely used as an organization that analyzes U.S. economic data and the business cycle and determines the start dates and end dates of economic recessions. The NBER defines recession as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months;" and also looks at the depth, diffusion, and duration of the downturn.