

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- The Producer Price Index (PPI) came in hotter than expected, rising 0.5% in April and outpaced both the consensus expectation (0.3%) and a softer March figure (-0.1%).
 - Last month's outsized increase, driven by accelerating goods (0.4%) and services (0.6%) readings, pushed annual comparisons back above 2.0% for the first time since April 2023.
 - Producer prices are up 2.2% in the last year but increased at a 4.1% annualized pace in the last three months.
- Conversely, the Consumer Price Index (CPI) rose 0.3% in April – below the consensus expectation and the previous month (both 0.4%). Year-over-year CPI ticked down to 3.4%.
 - Energy prices rose substantially last month (1.1%), primarily driven by higher gasoline prices.
- Core CPI, which strips out the volatile energy and food categories, still appears stubbornly high, rising 0.3% in April and 3.6% in the past year.
 - Like producer prices, however, “core” CPI prices have risen at an even faster 4.1% annualized pace over the last three months.
- Retail sales were unchanged through April (0.0%), materially lagged the consensus expected gain of 0.4%, and were revised down for previous months.
 - Core retail sales, a critical component for estimating GDP, appear to be softening lately – falling in three of the last four months.
- Details of the report showed that sales at gas stations largely propped up this meager reading. However, these sales are generally viewed as negative, driven by higher gas prices, which do not reflect improving living standards and actually limit consumer spending elsewhere.

How do PPI, CPI, and Retail Sales impact you?

- Although investor enthusiasm for the softer-than-anticipated CPI prints buoying market performance mid-week, these data points hardly imbue confidence that inflation is moving sustainably toward the Fed's 2% target.
 - That said, higher 3-month annualized figures don't necessarily constitute an inflation resurgence – the downtrend still appears intact.
 - Instead, as was always predicted, the final dregs of inflation are proving the toughest to eliminate.
- Weaker retail sales may indicate that the American consumer is finally buckling under higher financing costs as pandemic-era stimulus wanes. However, this won't deter the Fed from keeping rates higher for longer.



A LOOK FORWARD¹

- Numerous Federal Reserve (Fed) Governors and Presidents are expected to speak before the release of this month's Federal Open Market Committee (FOMC) meeting minutes.
- New and Existing Home Sales, as well as durable goods orders, round out the economic data this week.

How do home sales and official Fed commentary impact you?

- Investors will closely examine the meeting minutes for any indication of dissent among participants given potential early signs of a softening labor market and hope for further confirmation that shelter costs continue to creep down.



MARKET UPDATE²

Market Index Returns as of 5/17/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.60%	1.12%	11.80%	28.27%	10.42%	15.03%
NASDAQ	2.15%	1.97%	11.47%	32.52%	8.70%	17.34%
Dow Jones Industrial Average	1.35%	0.72%	6.90%	21.74%	7.68%	11.53%
Russell Mid-Cap	1.05%	-1.06%	7.45%	22.25%	4.49%	10.70%
Russell 2000 (Small Cap)	1.79%	-1.22%	3.90%	19.21%	-0.40%	7.86%
MSCI EAFE (International)	1.66%	2.15%	8.06%	15.58%	3.66%	7.73%
MSCI Emerging Markets	2.71%	5.81%	8.32%	15.49%	-3.72%	4.59%
Bloomberg US Agg Bond	0.57%	-0.63%	-1.40%	1.86%	-2.86%	0.11%
Bloomberg High Yield Corp	0.39%	0.37%	1.85%	11.44%	1.94%	4.11%
Bloomberg Global Agg	0.74%	-0.64%	-2.71%	1.22%	-5.47%	-1.31%



OBSERVATIONS

- All major US equity indices were positive for the week, with the NASDAQ leading the way, up 2.15%, and the S&P 500 (1.60%) and blue-chip Dow Jones Industrial Average (1.35%) following in turn.
- Small-cap stocks were strongly positive, climbing 1.79% for the week, while mid-caps returned a healthy 1.05%.
- Emerging market equities led all stock indices, improving 2.71%, while developed international markets finished the week solidly in the black, rising 1.66%.
 - International indices have been strong in recent weeks and now meaningfully outpace all but the S&P 500 and NASDAQ year-to-date.
- Bond returns were positive domestically, globally, and across the credit spectrum.
 - Lower quality credit, as indicated by the Bloomberg High Yield Corporate index, significantly exceeds domestic and global aggregate returns as higher carry has more than compensated for rising yields.



BY THE NUMBERS

Metals Zoom as Investors Wait on Rates: Copper and gold made record highs in Asia trading on Monday, and silver surged over \$30. The breakout gains were all the more noteworthy while bonds and currencies settled into ranges and with uncertainty rather than optimism on the outlook. World stocks, meanwhile, were parked just below last week's record peak. Gold's 18% rally over the year to date has been attributed, variously, to Chinese buying, global political tension, and expectations that U.S. rates will start to fall soon, seen as a boon for a metal that does not pay a yield at all. Copper is soaring on China's strongest efforts yet to dig its property market out of a funk. On Friday, officials promised a trillion yuan in funding for affordable housing and redevelopment and said local governments would step in as buyers. Much is unclear, such as the effect on real estate prices, and developer stock prices wobbled through Monday. But the macro signal has been enough to put the blowtorch on copper short sellers.³

Xander Schauffele's First Major Makes a Satisfying Finish to a Bizarre PGA Championship: Louisville, KY - The night before the round of golf that forever changed his career, Xander Schauffele's father Stefan texted him a saying: *A steady drip breaks the stone*. Or something like that. "(It was) in German," Schauffele said. "I had to ask him what the translation was." The point was crystal clear. So was the meaning of Schauffele's one-stroke victory over Bryson DeChambeau to win the 2024 PGA Championship at Valhalla Golf Club. It means that Schauffele, 30, will never again hear himself described as golf's best player to have never won a major. When Schauffele sank a nervy 6-foot birdie putt on the 18th green to win, the stone finally broke. It finished a wire-to-wire victory that started with his 9-under-par 62 in Thursday's opening round. Sunday's 6-under-par 65 moved him to 21 under for the week, giving Schauffele the lowest 72-hole score ever in a major tournament. He needed every shot to hold off DeChambeau, who finished two groups earlier with a 64 and watched from the driving range as Schauffele's final putt spun around the cup and dropped.⁴

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of houses sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is collaborating with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

Durable Goods Orders: This concept tracks the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US 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. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 5/17/2024.

² Data obtained from Morningstar as of 5/17/2024.

³ [Morning Bid: Metals zoom as investors wait on rates | Reuters](#)

⁴ [Xander Schauffele's first major makes a satisfying finish to a bizarre PGA Championship \(msn.com\)](#)