

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- The May release for new home sales came in at a seasonally adjusted annual rate of 619,000 units, lower than the 636,000 forecast. New home sales are down 11.3% month-over-month (MoM) from a revised rate of 698,000 in April and are down 16.5% from one year ago.
- The Conference Board's Consumer Confidence Index slightly weakened in June. The index fell to 100.4 this month from May's downwardly revised 101.3. This month's reading was better than expected, exceeding the 100.0 forecast.
- The latest headline personal consumption expenditures (PCE) price index was flat month-over-month, as expected. On an annual basis, headline PCE was up 2.6% in May, as expected.
- Core PCE, the Fed's favored measure of inflation, was up 0.1% from April and was up 2.6% year-over-year. Both readings were consistent with their respective forecasts.

How do New Home Sales, Consumer confidence, and PCE readings impact you?

- New Home Sales experienced the steepest monthly decline since September 2022, reaching the lowest level since November. High interest rates and expectations of prolonged elevation are impacting homebuilders and buyers.
- The Consumer Confidence index reading has been below the recession average of 101.9 for the past three months and is lower than 3 of the past 6 recessions.
- The latest PCE reading indicates a positive trend in inflation, welcomed by the Federal Reserve.
 - If upcoming inflation reports follow this trend, it may prompt the Fed to consider rate cuts in September, despite the proximity to the election.
 - The market anticipates a 65.9% chance of a rate cut in September, with the 10-year Treasury yield slightly falling from 4.3% to 4.26% at the time of the release.



A LOOK FORWARD¹

- Despite the shortened trading week due to the Fourth of July holiday, significant data points are expected. Investors will receive the ISM manufacturing and ISM services readings, followed by the June jobs report on Friday.

How does manufacturing, services, and labor market data impact you?

- The ISM services number exceeded expectations in May. As the services sector accounts for 70% of economic activity, this trend is encouraging. However, manufacturing remains in contraction, supporting the narrative of a rolling recession in parts of the economy.
- Despite this, job growth remains resilient. As long as consumers are employed, their spending will boost economic activity and potentially lead to higher equity prices.



MARKET UPDATE²

Market Index Returns as of 6/28/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.06%	4.28%	15.29%	26.09%	10.06%	15.04%
NASDAQ	0.26%	8.47%	18.57%	31.48%	7.71%	18.20%
Dow Jones Industrial Average	-0.08%	-1.27%	4.79%	16.99%	6.64%	10.32%
Russell Mid-Cap	-0.20%	-3.35%	4.96%	13.93%	2.34%	9.45%
Russell 2000 (Small Cap)	1.33%	-3.28%	1.73%	10.48%	-2.55%	6.94%
MSCI EAFE (International)	0.36%	-0.42%	5.34%	12.49%	2.58%	6.46%
MSCI Emerging Markets	0.06%	5.00%	7.49%	12.89%	-5.11%	3.10%
Bloomberg Barclays US Agg Bond	-0.65%	0.07%	-0.71%	2.94%	-2.99%	-0.23%
Bloomberg Barclays High Yield Corp.	0.04%	1.09%	2.58%	10.82%	1.68%	3.92%
Bloomberg Barclays Global Agg	-0.41%	-1.10%	-3.16%	1.13%	-5.51%	-2.02%



OBSERVATIONS

- The S&P 500 declined -0.06%, ending three straight weeks of gains. Similarly, the blue-chip-centric Dow Jones Industrial Average also fell, declining -0.08% on the week.
- The tech-heavy NASDAQ narrowly made a positive return, rising 0.26%.
- Notably, across the cap spectrum, small-cap equities had a strong showing, outperforming all of their domestic larger-cap value counterparts, indicating a potential shift in market dynamics.
- Emerging and International markets were positive on the week, returning 0.36% and 0.06%, respectively.
- The Bloomberg US Aggregate Bond index, a proxy for the intermediate-term investment-grade bond market, pulled back -0.65% on the week as the 10-year Treasury yield increased (bond prices move inversely to interest rates).
- Global bonds declined in tandem with domestic bond markets.



BY THE NUMBERS

- **Traffic and Productivity:** A new report from INRIX estimates that gridlock cost the United States more than \$70.4 billion in lost productivity in 2023, up 15 percent compared to 2022, with the average American driver losing 42 hours to congestion alone. New York is the epicenter of this, the world's most congested city, costing \$9.1 billion in lost time alone and forcing 101 hours of lost productivity for the average driver. If only there were some kind of way we could assess a cost or a fine on this congestion in an attempt to both reduce demand for driving in areas that lack the capacity for it — perhaps Manhattan below 59th Street — and fund transit with the balance.³
- **Change in Canal Routes:** Transits through the Suez Canal were down 80 percent in May 2024 compared to the same month in 2023, as shipping companies deal with ongoing attacks on commercial vessels in the Red Sea by Yemen-based rebels. The alternative routes — going around Africa or through the Panama Canal — add serious time and cost to transits, with trips between East Asia and either Europe or the East Coast extended a median of 10 to 14 days.⁴

Economic Definitions

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

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

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.

Conference Board Consumer Confidence Index: The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

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 represent 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.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss. In general, the bond market is volatile; bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed-income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Vehicles that invest in lower-rated debt securities (commonly referred to as junk bonds or high-yield bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. International investing involves special risks not present with U.S. investments due to factors such as increased volatility, currency fluctuation, and differences in auditing and other financial standards. These risks can be accentuated in emerging markets.

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¹ Data obtained from Bloomberg as of 6/28/2024.

² Data obtained from Morningstar as of 6/28/2024.

³ <https://www.bloomberg.com/news/articles/2024-06-25/nyc-has-the-world-s-worst-traffic-congestion-costing-9-billion?srnd=citylab>

⁴ <https://gcaptain.com/container-transit-times-soar-as-red-sea-crisis-continues-unabated/>