

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- In a shortened trading week with the Fourth of July landing last Thursday, employment readings dominated the data headlines.
 - June's employment report showed nonfarm payrolls increased by 206,000 last month, beating the consensus expectation of 190,000.
 - However, payroll gains for the previous two months were revised down by a collective 111,000 jobs, including a strong downward revision to May's blockbuster reading.
 - The unemployment rate ticked up to 4.1% from 4.0% in May, although an increase in the participation rate (more people entering the workforce) likely contributed to the rising unemployment figure.
 - Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in June and are up 3.9% vs. a year ago.
- ISM Manufacturing missed the consensus expectation yet again, falling deeper into contraction territory last month to 48.5 – levels above 50 indicate expansion, while levels below 50 indicate contraction.
- ISM Non-Manufacturing (or Services) surprisingly fell to 48.8, its lowest level in more than four years and has now contracted in two of the last three months.
 - Outside of the COVID lockdown months, this marked the lowest ISM services reading since July 2009.

How do employment data and ISM readings impact you?

- Despite the strong headline payroll figure, meaningful cracks are emerging in the labor market.
 - Large revisions have been the norm in 2024, and many of the gains have come from government hiring or economically insensitive sectors like education & health services.
 - Excluding these as well as leisure & hospitality (which is still recovering from COVID lockdowns), a "core" measure of payrolls rose just 47,000 in June – slower than the 2024 average of 70,000 per month.
- Slowing wage growth does indicate that tighter monetary policy having an effect on the labor market and the broader economy, but the Federal Reserve likely wants to see average hourly earnings lower than June's 3.9%.
- ISM Manufacturing saw production fall into contraction for the first time in four months, and the ISM Services sub-indices of business activity and new orders both entered contraction territory, driving down the overall index.



A LOOK FORWARD¹

- Inflation readings will headline this week's economic data, highlighted by the Consumer Price Index (CPI) report on Thursday and the Producer Price Index (PPI) report on Friday.

How does inflation data impact you?

- With the Labor market showing early signs of deterioration, investors will closely monitor any changes to the Federal Reserve's (Fed's) other mandate of stable prices.
 - An increase in energy prices last month may push headline inflation readings higher in June.



MARKET UPDATE²

Market Index Returns as of 7/5/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.98%	1.98%	17.57%	28.10%	10.33%	15.10%
NASDAQ	3.51%	3.51%	22.73%	35.20%	8.62%	18.56%
Dow Jones Industrial Average	0.69%	0.69%	5.52%	18.45%	6.58%	10.19%
Russell Mid-Cap	-0.58%	-0.58%	4.36%	13.57%	2.12%	9.00%
Russell 2000 (Small Cap)	-1.01%	-1.01%	0.71%	11.68%	-2.40%	6.60%
MSCI EAFE (International)	2.16%	2.16%	7.62%	16.93%	3.49%	6.81%
MSCI Emerging Markets	1.92%	1.92%	9.55%	14.98%	-3.83%	3.35%
Bloomberg Barclays US Agg Bond	0.71%	0.71%	0.00%	4.69%	-2.95%	-0.06%
Bloomberg Barclays High Yield Corp.	0.28%	0.28%	2.87%	11.57%	1.61%	3.92%
Bloomberg Barclays Global Agg	0.69%	0.69%	-2.50%	2.64%	-5.39%	-1.81%



OBSERVATIONS

- The S&P 500 increased nearly 2% during the short week that opened the third quarter, while the Dow improved 0.69%, and the tech-heavy NASDAQ led all major indices, returning 3.51%.
- Smaller market cap indexes, both Mid and Small Cap Russell indices, actually declined, -0.58% and -1.01%, respectively.
- International and Emerging markets were positive last week, returning 2.16% and 1.92%, and it may surprise that EM equities have improved nearly 10% YTD.
- The Bloomberg US Aggregate Bond index, a proxy for the intermediate-term investment-grade bond market, improved 0.71% on the week with Global bonds close behind (0.69%) and High Yield corporate credit bringing up the rear, though still positive (0.28%).



BY THE NUMBERS

- **Earnings Season to Test Investors' Faith in Big Tech Stocks:** An elite cadre of tech giants that drove the stock market to new records is under pressure to keep the party going this earnings season. The S&P 500 has climbed 17% this year, fueled by investor excitement over artificial intelligence that has sent shares of Nvidia and its fellow tech titans to dramatic heights. The chip maker's stock has more than doubled this year, pushing its market value above \$3 trillion. Alphabet, Meta and Microsoft have surged as well, with all logging double-digit gains. The growing size of the index's heavyweights means a lot is riding on their ability to deliver profits and guidance in coming weeks that justify their sky-high valuations. "You have an unusual situation where you have fantastic companies and transformative industries, but is the bar set too high even for them?" said Jim Smigiel, chief investment officer at SEI.³
- **Paramount Agrees to Skydance Deal, Ending Redstone Era:** (Bloomberg) Paramount Global agreed to merge with Skydance Media in a deal that hands control of the storied Hollywood studio to producer David Ellison, ending one of the industry's most dramatic acquisitions. As part of the complicated deal that was months in the making, Paramount Chair Shari Redstone agreed to sell her family's National Amusements Inc., which controls about 77% of the voting stock in Paramount, for \$2.4 billion, according to a statement from the company on Sunday. The accord marks an abrupt turnaround after talks between Redstone and Ellison, the son of Oracle Corp. co-founder Larry Ellison, collapsed last month. Redstone's decision at the time to end discussions shocked the board and frustrated employees and investors, sending the stock tumbling. But Ellison and Redstone remained in touch and worked to resolve their differences. Redstone had long made clear that she felt Ellison, an upstart movie mogul, made the most sense for Paramount and represented the best opportunity to protect her family's legacy.⁴

Economic Definitions

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

CPI (headline & 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.

Producer Prices Index – PPI (headline & 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).

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.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

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.

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¹ Data obtained from Bloomberg as of 7/5/2024

² Data obtained from Morningstar as of 7/5/2024

³ [Earnings Season to Test Investors' Faith in Big Tech Stocks \(msn.com\)](#)

⁴ [Paramount Agrees to Skydance Deal, Ending Redstone Era \(msn.com\)](#)