

# MARKET VIEW WEEKLY

Ladenburg Asset Management



## ECONOMIC REVIEW<sup>1</sup>

- The Institute of Supply Management (ISM) released its July services purchasing managers' index (PMI). The headline number was 51.4, coming in line with the forecast. The latest reading moves the index back into expansion territory for the 47th time in the past 50 months.
- Initial jobless claims measure the number of individuals who filed for unemployment insurance for the first time during the past week. In the week ending August 3rd, initial jobless claims came in at 233,000. This represents a decrease of 17,000 from the previous week's figure and is lower than the forecast of 241,000 jobless claims.
- Consumer credit rose by a modest \$8.9 billion in June, Federal Reserve data showed. Economists had expected a \$9.7 billion increase, according to a Bloomberg forecast.
  - The use of credit in the 12 months ended in June advanced by 1.9%, but that was down sharply from a 5.3% yearly rate in June 2023.

### How do labor markets, services data, and consumer credit data impact you?

- The government's monthly nonfarm payrolls report last Friday showed job gains slowed markedly in July and the unemployment rate rose to 4.3%, raising fears in markets that the labor market may be deteriorating at a pace that would call for strong action from the Fed.
- However, a drop in the number of Americans applying for unemployment benefits last week relieved markets that had been in a near panic about prospects for a recession.
- High interest rates and persistent inflation are compelling consumers to be more cautious with their spending. This restraint is evident in the decline of revolving credit, such as credit cards, which fell in June for the second time in three months—a pattern last seen in 2021.
- With credit card interest rates exceeding 20%, consumer spending may be expected to slow.



## A LOOK FORWARD<sup>1</sup>

- This week, investors will receive Consumer Price Index (CPI) and Producer Price Index (PPI) data. We will also receive retail sales.

### How do CPI, PPI, and retail sales impact you?

- CPI increased 3.0% from June 2023 to June 2024. Economists are expecting the headline CPI for July to come in at 2.9%. The last time this figure was below 3.0 percent was in March 2021.
- This would mean that both CPI and PPI are below 3% on a year-over-year basis. A good trend, but still far off from the Federal Reserve's 2% target level.
- Retail sales for July should come in strong as back-to-school spending (K-12) is expected to reach \$38.8 billion, the second-highest figure on record, after last year's high of \$41.5 billion.<sup>2</sup>



## MARKET UPDATE<sup>3</sup>

Market Index Returns as of 8/09/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.02%	-2.02%	12.96%	21.37%	8.06%	14.71%
NASDAQ	-0.17%	-5.54%	12.00%	22.97%	5.05%	16.98%
Dow Jones Industrial Average	-0.56%	1.11%	5.95%	14.56%	5.99%	10.77%
Russell Mid-Cap	0.15%	1.26%	6.29%	13.34%	2.26%	9.98%
Russell 2000 (Small Cap)	-1.32%	1.71%	3.48%	9.86%	-1.02%	8.03%
MSCI EAFE (International)	-0.29%	-1.23%	4.05%	8.83%	1.81%	7.09%
MSCI Emerging Markets	0.27%	-1.60%	5.77%	8.14%	-3.93%	4.15%
Bloomberg Barclays US Agg Bond	-0.82%	3.09%	2.36%	6.94%	-2.16%	0.07%
Bloomberg Barclays High Yield Corp.	0.25%	1.89%	4.52%	11.11%	2.27%	4.32%
Bloomberg Barclays Global Agg	-0.27%	4.02%	0.73%	5.30%	-4.44%	-1.47%



## OBSERVATIONS

- The global selloff continued, with the S&P 500 and NASDAQ falling for the fourth consecutive week, and the Dow fell for the second straight week.
- Mid-cap equities rose 0.15% for the week, while Small-Caps, measured by the Russell 2000 Index, fell -1.32%.
- International fell -0.29% for the week while Emerging markets produced positive returns, rising 0.27%.
- After a sharp decrease the prior week, bond yields reversed course and moved higher (bond prices and yields move in opposite directions). The U.S. Aggregate Bond Index fell -0.82%, the Global Aggregate fell -0.27%.



## BY THE NUMBERS

- **Tax Credits from Going Green on Your Home:** The early data is in, and last year 3.4 million households got \$8 billion in tax credits for energy efficiency improvements, some of the first incentives under the Inflation Reduction Act. That legislation can make it up to 30 percent cheaper up front to switch to more efficient options, and that's actually a beat on expectations given earlier projections of their expected popularity. About 750,000 of those households tapped into rooftop solar installation with the credits. Less than 300,000 got the tax credit for electric or natural gas heat pumps, which was slightly below expectations, but that number is expected to rise over time.<sup>4</sup>
- **Old Dog, Same Olympic Tricks:** Mijaín López, a 41-year-old Cuban wrestler, achieved a never-before-done accomplishment at the Olympic Games, winning five gold medals in the same individual event after returning for a final sixth summer Olympics. He first competed in Athens in 2004 and lost in the quarterfinals but would go on to win the gold medal in the men's heavyweight Greco-Roman event in Beijing in 2008, London in 2012, Rio in 2016, Tokyo in 2020 and now Paris in 2024. In Tokyo he became the eighth athlete ever to win four Olympic golds in the same individual event, joining a Japanese wrestler, a Danish sailor, and an American discus thrower, sprinter, and two swimmers. After securing the fifth win and a place in the history books, he left his shoes on the mat to signal his retirement.<sup>5</sup>

## ***Economic Definitions***

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

**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.

**Initial Jobless Claims:** Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

**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

**Consumer Credit:** A consumer credit system allows consumers to borrow money or incur debt, and to defer repayment of that money over time. Having credit enables consumers to buy goods or assets without having to pay for them in cash at the time of purchase. Having a good credit record means that a person has an established history of paying back 100% of his/her debts on time. A person with good credit will be able to borrow money more easily in the future and will be able to borrow money at better terms. On the other hand, having a bad credit record means that a person has had difficulty in the past with paying back all of the money he/she owes, or with making payments on time.

## ***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.

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<sup>1</sup> Data obtained from Bloomberg as of 8/09/2024

<sup>2</sup> <https://chainstoreage.com/nrf-back-school-spending-be-second-highest-record>

<sup>3</sup> Data obtained from Morningstar as of 8/09/2024

<sup>4</sup> <https://www.eenews.net/articles/over-3-4-million-homes-claimed-ira-energy-credits-feds-say-ew/>

<sup>5</sup> <https://www.nbcnews.com/news/latino/cuban-wrestler-mijain-lopez-retires-fifth-gold-rcna165466>