

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- In the week following the Independence Day holiday, investors set their sights on inflation readings. The Consumer Price Index (CPI) and Producer Price Index (PPI) were each released in the second half of the week.
- CPI came in lower than anticipated, accelerating the trend of disinflation witnessed over the past two years.
 - The year-over-year figure came in at 3.0%, while the core number, which excludes food and energy prices, rose at 3.3% year-over-year.
 - Headline and core inflation on a month-over-month basis declined -0.1% and rose +0.1% respectively.
 - The discrepancy between headline and core was due to falling energy prices, particularly gasoline prices, which are excluded in the core reading.
- The downward move in CPI marked the second month of lower-than-anticipated inflation and fueled positive investor sentiment in the fixed income market.
- PPI did not follow suit and came in higher than expected, with the year-over-year figures for headline and core PPI rising 2.6% and 3.0%, respectively.
 - The month-over-month readings were also more elevated than expected, with headline PPI coming in at 0.2% and core rising 0.4%.
- The rise in PPI was almost entirely attributed to a 1.9% increase in margins by wholesalers.
 - Similar to CPI, the PPI report saw energy prices fall despite rising oil prices in June.

How does inflation data impact you?

- With two of the three inflation measures reported for June, the Federal Reserve (Fed) can begin to formulate its decision on the path of interest rates.
- The divergence in the two reports and the overall elevated level of inflation versus the Fed's 2% target makes an interest rate cut in July unlikely.
 - The current thesis held among investors is that the Fed will cut rates two or three times through the remainder of the year.
- Falling core services inflation, driven by lower shelter and transportation costs, is a welcome sign for the Fed, but more data that corroborates the downward trend is required before any changes to the path of interest rates are likely to be made.



A LOOK FORWARD¹

- Retail sales for June will be released next week. This data point gives investors key insights into the durability of consumers and their affinity to continue spending.

How does retail sales data impact you?

- Strong consumer spending is one of the main reasons the U.S. economy remained resilient throughout 2023 and the first half of 2024.
 - A substantive weakening in the consumer could mean that economic activity is slowing.



MARKET UPDATE²

Market Index Returns as of 7/12/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.89%	2.88%	18.61%	26.38%	10.43%	15.12%
NASDAQ	0.25%	3.77%	23.04%	31.13%	8.67%	18.38%
Dow Jones Industrial Average	1.61%	2.32%	7.22%	18.70%	6.82%	10.21%
Russell Mid-Cap	3.39%	2.80%	7.90%	12.56%	3.47%	9.62%
Russell 2000 (Small Cap)	6.01%	4.95%	6.76%	11.78%	0.04%	7.92%
MSCI EAFE (International)	2.29%	4.50%	10.08%	13.65%	3.94%	7.41%
MSCI Emerging Markets	1.82%	3.78%	11.55%	12.89%	-3.11%	3.88%
Bloomberg Barclays US Agg Bond	0.82%	1.54%	0.82%	3.58%	-2.58%	0.15%
Bloomberg Barclays High Yield Corp.	0.80%	1.08%	3.69%	10.34%	1.86%	4.10%
Bloomberg Barclays Global Agg	1.06%	1.75%	-1.47%	0.98%	-5.06%	-1.56%



OBSERVATIONS

- Equity markets rallied as inflation data came in softer than expected with the Dow Jones leading the three major U.S. Equity indices rising 1.61%. The S&P 500 and NASDAQ rose 0.89%, and 0.25% respectively.
- Smaller market cap indexes, both Mid and Small Cap Russell indices beat their large cap peers, with the Russell 2000 index rising 6.01% on the week.
- International and Emerging markets were positive last week, returning 2.29% and 1.82%, with both garnering over 10% returns year-to-date.
- Fixed income assets were also lifted by news of weakening inflation. The Global Aggregate Bond Index rose 1.06%, followed closely by the U.S. Aggregate, and High Yield Corporate indices which rose 0.80%, and 0.82% respectively.
 - Although the year-to-date returns of the Global Aggregate remain negative, the other two indices have crossed the threshold into positive performance.



BY THE NUMBERS

- **AT&T Reports a ‘Massive’ Data Breach:** U.S. phone giant AT&T confirmed Friday it will begin notifying millions of consumers about a fresh data breach that allowed cybercriminals to steal the phone records of “nearly all” of its customers. AT&T said that the stolen data contains phone numbers of both cellular and landline customers, as well as AT&T records of calls and text messages — such as who contacted who by phone or text — during a six-month period between May 1, 2022, and October 31, 2022. AT&T said the stolen data “does not contain the content of calls or texts.” Some of the stolen records include cell site identification numbers associated with phone calls and text messages, information that can be used to determine the approximate location of where a call was made, or text message sent. In all, the phone giant said it will notify around 110 million AT&T customers of the data breach.³
- **More Than 1.6 Million Homes in Texas Still Without Power After Hurricane Beryl:** In the wake of the powerful storm, swaths of Texas homes will be left in the sweltering heat with no power for what could amount to multiple days. President Joe Biden on Tuesday granted a federal emergency disaster declaration to help speed recovery efforts in 121 Texas counties that were affected by Hurricane Beryl. A heat advisory is currently in effect for all of Southeast Texas where a large part of the state is still with no power. The heat index is expected to feel like 106 degrees Fahrenheit. CenterPoint Energy, the Houston area’s main energy provider, has already restored power to 850,000 customers, more than were restored after the entirety of Hurricane Ike – although only roughly one third of the overall impacted area of Hurricane Beryl.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).

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.

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 7/12/2024

² Data obtained from Morningstar as of 7/12/2024

³ [AT&T says criminals stole phone records of 'nearly all' customers in new data breach | TechCrunch](#)

⁴ [More than 1.6 million homes in Texas still without power after Hurricane Beryl - UPI.com](#)