

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- The Job Openings and Labor Turnover Survey (JOLTS) showed job openings came in at 8.18 million, down from an upwardly revised 8.23 million the month prior. In June, the number of people quitting their jobs fell to 3.28 million from a downwardly revised 3.40 million.
- For the eighth straight meeting, the Federal Open Market Committee voted unanimously to uphold the benchmark interest rate at the target range of 5.25%-5.5%.
- The second quarter Employee Cost Index (ECI) was slightly softer than expected, advancing 0.9% over the quarter or 3.7% annualized.
- The ISM Manufacturing index unexpectedly fell in July, dipping 1.7 points to 46.8, far short of consensus expectations of 48.8 (levels higher than 50 signal expansion; levels below 50 signal contraction.)
- In July, payroll data showed the US economy added 114K jobs, less than the 175K consensus estimate and well below a downwardly revised June figure.
 - The unemployment rate came in hotter than anticipated at 4.3%, outpacing consensus expectations of 4.1%.
 - Wages were up 3.6% from a year earlier—the smallest annual gain since 2021.
 - The labor force participation rate increased slightly to 62.7% from 62.6%.

How do labor markets, the Federal Reserve meeting, and manufacturing data impact you?

- Deterioration was the broad theme across labor market reports, with contractions seen in compensation costs, hirings, openings, quits, and wage growth.
- The unemployment rate rose to the highest level in nearly three years, reflecting more people losing and leaving their jobs rather than new workers entering the labor force.
- The ratio of job openings to unemployed workers, a key Federal Reserve (Fed) metric, decreased modestly to 1.2, in line with pre-pandemic norms.
- In the statement released following the Fed meeting, several adjustments to the language signaled that they are closer to reducing borrowing costs.²
- Manufacturing has now contracted for four consecutive months and 20 out of the last 21 months, with the underlying weakness pointing to a slowdown in growth.



A LOOK FORWARD¹

- Next week, investors will receive ISM Services, Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS), and Consumer Credit reports.

How do ISM Services, SLOOS, and Consumer Credit data impact you?

- The focus will be on the ISM Services data to see whether it replicates the weakness seen in manufacturing.
- SLOOS: Bank lending standards tend to lag Fed Policy decisions by a few quarters and with policymakers' next move likely to be a cut, reduced borrowing costs should support future growth.
- June's Consumer Credit will tell how much consumers rely on credit cards and other payment methods.



MARKET UPDATE³

Market Index Returns as of 8/2/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-2.05%	-2.00%	12.99%	20.54%	8.19%	14.62%
NASDAQ	-3.34%	-5.37%	12.20%	21.10%	5.18%	16.90%
Dow Jones Industrial Average	-2.10%	1.68%	6.56%	15.16%	6.36%	10.76%
Russell Mid-Cap	-2.57%	1.11%	6.13%	11.95%	2.31%	9.87%
Russell 2000 (Small Cap)	-6.66%	3.07%	4.86%	9.16%	-0.34%	8.03%
MSCI EAFE (International)	-1.96%	-0.94%	4.35%	10.76%	1.91%	6.91%
MSCI Emerging Markets	-1.00%	-1.86%	5.48%	7.13%	-3.85%	3.63%
Bloomberg Barclays US Agg Bond	2.43%	3.95%	3.21%	8.42%	-2.21%	0.35%
Bloomberg Barclays High Yield Corp.	-0.05%	1.63%	4.26%	11.74%	2.10%	4.21%
Bloomberg Barclays Global Agg	2.32%	4.30%	1.00%	6.04%	-4.68%	-1.26%



OBSERVATIONS

- The global selloff continued, with the S&P 500 and NASDAQ falling for the third consecutive week, while the Dow snapped a four-week winning streak.
- Mid-cap equities fell 2.57% for the week, while Small-Caps, measured by the Russell 2000 Index, declined 6.66% precipitously.
- International and Emerging markets offered no refuge either last week, returning -1.96% and -1.00%, respectively.
- The shifting interest rate outlook and downside economic surprises sent government yields tumbling last week (bond prices and yields move in opposite directions). The U.S. Aggregate Bond Index climbed +2.43%, the Global Aggregate rose 2.32%, while Credit dipped a -0.05%.



BY THE NUMBERS

- **World's Largest Dam Removal Project Nears Completion:** A project to remove four dams and restore the Klamath River to a more natural state is nearing completion, bringing significant benefits to the salmon population near the California-Oregon border. Officials say the half-billion-dollar Klamath River Renewal Project will restore 420 miles of the watershed for the first time since 1918. PacifiCorp, the former owner of the hydroelectric dams, said removal of the dams was the most cost-effective option in restoring the watershed for the ecosystem. "I think in September, we may have some Chinook salmon and steelhead moseying upstream checking things out for the first time in over 60 years," Bob Pagliuco, a NOAA marine habitat resource specialist, said in a statement. "Based on what I've seen and what I know these fish can do, I think they will start occupying these habitats immediately. There won't be any great numbers at first, but within several generations -10 to 15 years - new populations will be established."⁴
- **Biles Wins All-Around Title For Sixth Olympic Gold:** Simone Biles won the all-around gymnastics title for her second Olympic gold in Paris and sixth overall, cementing her place back at the top of her sport with yet another sparkling slice of history. The American, who won the title at Rio 2016 and had been a favorite at Tokyo 2020 before she pulled out, became the oldest winner of her sport's blue-ribbon event for 72 years in front of another celebrity-studded crowd. Brazil's Rebeca Andrade claimed silver at the Bercy Arena, with defending champion Sunisa Lee taking bronze. The world's most decorated gymnast, Biles, put on a sparkly goat necklace while celebrating - as if there was any doubt about her status as the GOAT (greatest of all time).⁵

Economic Definitions

The Employment Cost Index (ECI): ECI is a measure of the change in the cost of labor, independent of the influence of employment shifts among occupations and industry categories. The total compensation series includes changes in wages and salaries and in employer costs for employee benefits. The ECI calculates indexes of total compensation, wages and salaries, and benefits separately for all civilian workers in the United States, for private industry workers, and for workers in state and local government.

Federal Open Market Committee (FOMC): The FOMC reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

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

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.

Job Openings and Labor Turnover Survey (JOLTS): This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

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.

Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS): SLOOS surveys up to eighty large domestic banks and twenty-four U.S. branches and agencies of foreign banks. The Federal Reserve generally conducts the survey quarterly, timing it so that results are available for the January/February, April/May, August, and October/November meetings of the FOMC. The FOMC uses the surveys to get a clearer picture of credit and lending, which can impact decisions on setting interest rates and discount rates.

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.

Disclosures

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¹ Data obtained from Bloomberg as of 8/2/2024

² [Fed Statement Tracker Embed - The Wall Street Journal \(wsj.com\)](#)

³ Data obtained from Morningstar as of 8/2/2024

⁴ [World'S Largest Dam Removal Project Nears Completion \(FoxWeather.com\)](#)

⁵ [Simone Biles Wins All-Around Gymnastics Title For Sixth Olympic Gold \(BBC.com\)](#)