

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- Retail sales showed a modest 0.1% gain in May, albeit at a softer pace than the consensus estimate of 0.3%.
 - April's print was revised to show a decline of -0.2% instead of no change as initially reported.
 - Gas station receipts fell 2.2%, a product of lower oil prices, though that's good news for consumers.
 - Core retail sales, which exclude autos and gasoline, matched the headline, rising 0.1% though falling short of expectations.
 - Compared to a year ago, retail sales were up 2.3%.
- Construction of new homes in the U.S. fell 5.5% to an annualized rate of 1.277 million in May, well below the forecast of 1.37 million.
 - Building permits, a proxy for future construction, fell by 3.8% to a seasonally adjusted annual rate of 1.386 million.
 - Compared to a year ago, the start rate was 19.3%, while permits for single-family and multi-family homes were down 2.9% and 28.8%, respectively.
- The Conference Board Leading Economic Index (LEI) for the U.S. decreased by 0.5% in May 2024 to 101.2.

How do retail sales, home construction, and LEI impact you?

- Consumer spending accounts for 70% of US GDP, and May's retail sales report, accompanied by a downwardly revised April, signals a strained consumer. A pullback in spending on food services also hints that high interest rates are biting into consumers' pockets. After strong early-year prints, stalling figures point toward declining consumer sentiment and a loosening economy.
- Stung by increasing costs, builders have slowed down on all types of homes across most of the nation, with housing starts falling to their lowest since June 2020, further limiting already weak housing stock.
- LEI declined for the third consecutive month, though it did not signal a recession in May as its six-month growth rate trended less negative.



A LOOK FORWARD¹

- Next week, all eyes will be on the release of the Fed's preferred inflation gauge, the Personal Consumption Expenditures Price Index. Also, the third estimate of first-quarter GDP and the University of Michigan Index of Consumer Sentiment appear on the docket.

How do inflation data, GDP, and consumer confidence impact you?

- Market participants will seek evidence of whether the economy and inflation are slowing sufficiently enough to allow the Federal Reserve to cut interest rates in the coming months.
- Inflation still far exceeds the Fed's 2% target, but further progress on that path will be treated with great optimism.



MARKET UPDATE²

| Market Index Returns as of 6/21/2024 | WTD | QTD | YTD | 1 YR | 3 YR | 5 YR |
|--------------------------------------|-------|-------|-------|-------|-------|-------|
| S&P 500 | 0.63 | 4.34 | 15.36 | 26.60 | 10.48 | 14.99 |
| NASDAQ | 0.01 | 8.19 | 18.26 | 30.77 | 8.31 | 18.07 |
| Dow Jones Industrial Average | 1.50 | -1.19 | 4.87 | 17.69 | 7.03 | 10.24 |
| Russell Mid-Cap | 1.00 | -3.16 | 5.17 | 16.42 | 2.80 | 9.53 |
| Russell 2000 (Small Cap) | 0.80 | -4.54 | 0.40 | 11.07 | -2.79 | 6.90 |
| MSCI EAFE (International) | 0.07 | -0.77 | 4.97 | 11.41 | 2.45 | 6.52 |
| MSCI Emerging Markets | 0.98 | 4.93 | 7.42 | 11.40 | -4.39 | 3.16 |
| Bloomberg Barclays US Agg Bond | -0.15 | 0.72 | -0.07 | 3.39 | -2.76 | -0.02 |
| Bloomberg Barclays High Yield Corp. | 0.21 | 1.05 | 2.54 | 11.04 | 1.81 | 3.90 |
| Bloomberg Barclays Global Agg | -0.29 | -0.69 | -2.76 | 1.14 | -5.35 | -1.85 |



OBSERVATIONS

- In the market holiday-shortened week (markets were closed Wednesday in observation of the Juneteenth holiday), the S&P 500 advanced +0.63%, delivering a third consecutive week of gains, the tech-heavy NASDAQ narrowly eked out a positive return, and the blue-chip-centric DJ Industrial Average lead major markets returning +1.50%.
- Notably, across the cap spectrum, mid-cap and small-cap equities had a strong showing, outperforming all but their domestic larger-cap value brethren, indicating a potential shift in market dynamics.
- Emerging markets were among the best-performing places in the market, returning +0.98%. Outperforming international developed markets, which returned a mild +0.07%, and most domestic equities.
- The Bloomberg US Aggregate Bond index, a proxy for the intermediate-term investment-grade bond market, pulled back -0.15% on the week as the 10-year Treasury yield increased (bond prices move inversely to interest rates and credit spreads). Global bonds declined in tandem with domestic bond markets.
 - Less duration and interest rate-sensitive fixed income held up better, with corporate credit advancing +0.21%.



BY THE NUMBERS

Heat Wave Scorches US East Coast as Dangerous Temperatures Expand to West: More than 100 million people across the U.S. were under heat warnings on Sunday, with cities on the East Coast bracing for record-breaking temperatures as the heat dome causing the dangerous conditions expands to the West Coast. Baltimore and Philadelphia are forecast to touch records near 100 degrees Fahrenheit (38 degrees Celsius) on Sunday, while temperatures rise into the 90s F in states like Idaho, Montana and Wyoming, as much as 15 degrees above normal for this time of year. The extreme heat will then shift to Nebraska and Kansas on Monday, the National Weather Service (NWS) said.³

Most NBA Championships By Team: When the 2023-24 NBA season began, the Los Angeles Lakers and Boston Celtics were tied atop the NBA's all-time championship leaderboard at 17 titles apiece. If we're being absolutely technical, the Lakers actually won an 18th title before the Celtics did. The problem? It was for the new, In-Season Tournament championship, not a traditional end-of-season title. Well, if there was any doubt about who sits atop the all-time championships throne, it has been erased. The Celtics clinched the 2024 NBA championship on Monday night with a Game 5 win over the Mavericks to win the NBA Finals. The Lakers and Celtics alone have combined to win 35 of the total 78 championships awarded in league history or a bit less than 45%. They have a 10-title lead on every other team in the NBA, with the Warriors in third place with seven.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.

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.

Building Permits: This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

Housing Starts: Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

Conference Board Leading Economic Index: Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

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 6/21/2024.

² Data obtained from Morningstar as of 6/21/2024.

³ [Heat Wave | USNews.com](#)

⁴ [Most NBA Championships by Team | CBS Sports](#)