

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- The release of the minutes from the April 30th- May 1st policy meeting of the Federal Open Market Committee (FOMC) revealed that some officials were open to raising rates if inflation reaccelerated.
 - An unspecified number of officials “mentioned a willingness to tighten policy further should risks to inflation materialize in a way that such action became appropriate.”²
 - The minutes also contained more details on officials’ discussions of plans to moderate the balance-sheet runoff.
- Existing home sales declined for the second consecutive month in April as 30-year fixed-rate mortgages continued to hover around 7%.
 - Resales slipped a softer-than-expected 1.9% last month to a seasonally adjusted annual rate of 4.14M units.
- New single-family homes also fell short of consensus, declining 4.7% in April to a 634K annual rate.
- Durable Goods advanced for the third consecutive month, rising 0.7% month-over-month in April following a downwardly revised 0.8% increase in March.

How do FOMC minutes, Home Sales, and Durable Goods impact you?

- The most recent Federal Reserve (Fed) meeting followed a slew of economic indicators that showed inflation to be stickier than forecasted to start the year.
- The FOMC minutes noted concerns, with members indicating they lacked the confidence to move forward with interest rate reductions. However, despite those worries, the vote was still unanimous in holding the short-term borrowing rate at a range of 5.25%-5.5% (a 23-year high and where it has been since July 2023).
- High prices and elevated mortgage rates continue to weigh on buyers' appetites. Despite recent improvements, the median single-family resale price rose 5.6%, and new home prices increased 3.9% year-over-year. While we have seen an uptick in new home inventory, the difficulty of convincing current homeowners to give up the low fixed-rate mortgages they locked in continues to restrict inventory of resales.
- For the first time since spring 2023, durable goods orders have risen for three consecutive months. This increase was widespread, with notable growth in orders for motor vehicles, communication equipment, and machinery. This suggests that the struggling manufacturing industry may be starting to gain momentum.



A LOOK FORWARD¹

- The holiday-shortened week features two key data points: the second GDP estimate and the Fed’s preferred inflation measure, the Personal Consumption Expenditures (PCE) deflator.

How do GDP and PCE impact you?

- Consensus estimates indicate a probable downward revision to the first quarter GDP, suggesting that economic growth is losing momentum in several areas. Additionally, while the PCE deflator is expected to show some moderation, this progress is unlikely to give the Fed enough confidence to cut interest rates.



MARKET UPDATE³

Market Index Returns as of 5/24/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.05%	1.17%	11.85%	29.75%	9.89%	15.31%
NASDAQ	1.42%	3.42%	13.05%	34.29%	8.25%	18.21%
Dow Jones Industrial Average	-2.30%	-1.60%	4.44%	21.70%	6.56%	11.15%
Russell Mid-Cap	-0.99%	-2.04%	6.39%	23.89%	3.81%	10.73%
Russell 2000 (Small Cap)	-1.21%	-2.42%	2.64%	19.77%	-0.73%	7.90%
MSCI EAFE (International)	-0.86%	1.27%	7.12%	17.07%	3.12%	7.65%
MSCI Emerging Markets	-1.48%	4.24%	6.71%	15.38%	-4.50%	4.46%
Bloomberg US Agg Bond	-0.28%	-0.91%	-1.68%	2.50%	-3.13%	0.00%
Bloomberg High Yield Corp	-0.21%	0.16%	1.64%	11.68%	1.84%	4.08%
Bloomberg Global Agg	-0.53%	-1.17%	-3.23%	1.64%	-5.79%	-1.50%



OBSERVATIONS

- The tech-heavy NASDAQ led all major equity markets, returning +1.42%; the S&P 500, +0.05%, eked out another week of gains, while the Dow Jones Industrial Average, -2.30%, declined on the week.
- Equity performance weakened in mid and small-caps. Mid-caps returned -0.99% and small caps dipped -1.21%.
- International and emerging markets also sold off for the week, returning -0.86% and -1.48%, respectively.
- Bond returns were negative domestically, globally, and across the credit spectrum.
 - Lower quality credit, as the Bloomberg High Yield Corporate index indicates, outperformed domestic and global aggregate returns in a down week.



BY THE NUMBERS

Arlington National Cemetery, “Flags In”: The United States flag is one of the most significant symbols of Memorial Day, representing freedom, sacrifice, and remembrance. Just before Memorial Day weekend, the 3rd U.S. Infantry Regiment (also known as The Old Guard) honors America's fallen heroes by placing American flags at gravesites for service members buried at Arlington National Cemetery and the U.S. Soldiers' and Airmen's Home National Cemetery. This tradition, known as "Flags In," has taken place annually since the 3rd U.S. Infantry Regiment was designated as the Army's official ceremonial unit in 1948. Every available soldier in the Old Guard participates, along with members of other service branches. They place small American flags in front of more than 260,000 headstones and at the bottom of about 7,000 niche rows in the columbarium. Each flag is inserted into the ground, exactly one boot length from the headstone's base. At the Tomb of the Unknown Soldier, the Sentinels (who are members of the Old Guard) place flags to honor the Unknowns. Army chaplains place flags in front of the headstones and four memorials located on Chaplains' Hill in Section 2. All flags are removed after Memorial Day before the cemetery opens to the public.⁴

Why Costco is selling gold bars and silver coins — and how to get them before they're gone: Costco locked in \$1.50 hot dog-soda loyalists. Now, it's chasing a different clientele: precious metal investors and collectors. Costco recently started selling silver coins for the first time, finance chief Richard Galanti told CNN. The company is selling 25-count tubes of 1 oz. Canada Maple Leaf Silver Coins online for \$675. The front of the coins features a maple leaf, and King Charles III is on the back. The coins are non-refundable, and members can purchase a maximum of five. Costco is trying to replicate its recent success with gold bars. It began selling \$2,000 gold bars online in September and sold more than \$100 million worth of the bars last quarter.⁵

Economic Definitions

Durable Goods Orders: This concept tracks the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is collaborating with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

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

Federal Open Market Committee (FOMC): The FOMC is a committee of the Federal Reserve Board that 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.

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.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of houses sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

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.

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 represents 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.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss. In general, the bond market is volatile; bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed-income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Vehicles that invest in lower-rated debt securities (commonly referred to as junk bonds or high-yield bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. International investing involves special risks not present with U.S. investments due to factors such as increased volatility, currency fluctuation, and differences in auditing and other financial standards. These risks can be accentuated in emerging markets.

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¹ Data obtained from Bloomberg as of 5/24/2024.

² [Minutes of the Federal Open Market Committee, April 30–May 1, 2024](#)

³ Data obtained from Morningstar as of 5/24/2024.

⁴ [Arlington National Cemetery Flags In | arlingtoncemetery.mil](#)

⁵ [Why Costco is selling gold bars and silver coins — and how to get them before they're gone | tucson.com](#)