Global Market Commentary – A Mixed June

Global Markets Mixed in June

Stock markets in the U.S. and around the world were mixed in June, with markets in the United States performing marginally better versus markets in international, developed markets and emerging markets.

And although U.S. stocks ended lower on the last trading day of the month as the S&P 500 finished the final trading week of the month down slightly, the previous three weeks were all green, as the month, quarter and first half of 2024 came to a close.

For the month of June:

- The DJIA added 1.8%;
- The S&P 500 gained 3.7%;
- NASDAQ jumped 4.8%; and
- The Russell 2000 advanced 0.6%.

In contrast with U.S. markets, performance in developed markets outside the U.S. in June was not as good – as only 18 of the 38 developed markets tracked by MSCI advanced. Performance in the emerging markets tracked by MSCI was similar, with only 31 of those 46 indices advancing.

The theme that drove market performance in June was absolutely centered around inflation, including a few more positive data sets that inflation might be abating and that the Fed might begin cutting rates later this year.

More specifically, new economic data received this month, especially the PCE Index – the Fed's preferred gauge of inflation – caused Wall Street to assume an almost 90% chance of the Fed staying put at its July meeting and a 50/50 chance of a rate cut in September.

Volatility, as measured by the VIX, declined most of the month, losing about 12% and ending at 12.44, as it consistently declined all month and is very close to its 5-year low.

West Texas Intermediate crude, on the other hand, generally trended up all month adding $2.23/barrel and ending the month at $81.46/barrel. For perspective, so far in 2024 the price of oil has jumped almost 16%, giving reasons to worry that inflation might not abate as soon as hoped.

Market Performance Around the World

Investors looking outside the U.S. saw mixed performance, as 18 of the 38 developed markets tracked by MSCI advanced this month. Performance for emerging markets was arguably slightly better, with 31 of those 46 indices advancing for the month.

Index Returns	June 2024
MSCI EAFE	-1.74%
MSCI EURO	-3.40%
MSCI FAR EAST	-1.15%
MSCI G7 INDEX	+2.16%
MSCI NORTH AMERICA	+3.22%
MSCI PACIFIC	-0.50%
MSCI PACIFIC EX-JAPAN	+0.15%
MSCI WORLD	+1.93%
MSCI WORLD ex USA	-1.80%

Source: MSCI. Past performance cannot guarantee future results

Sector Performance Was Mixed

For the month of June, sector performance was mixed too, as only 6 of the 11 S&P 500 sectors advanced.

That was not quite as good as the previous month, which saw only 3 decline, but was much better versus April when 10 sectors retreated, with only the Utilities sector (+1.59%) painted green.

Further, June's performance saw 7 sectors decline on a relative basis from May, along with some significant changes – such as Utilities going from +15.26% in May to -4.22% in June.

Finally, and not surprisingly, for June the range in sector-returns broadened considerably relative to previous months, with Utilities losing more than 4% and Information Technology gaining almost 8%. That is a very significant range in just a single month.

Here are the sector returns for the month of June and May (two very short time-periods):

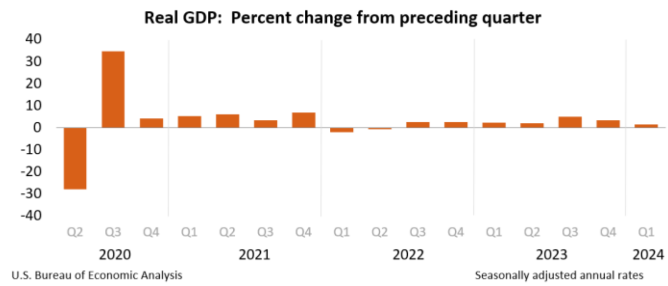
S&P 500 Sector	May 2024	June 2024
Information Technology	+7.21%	+7.69%
Energy	+6.23%	+0.60%
Health Care	-3.01%	+1.17%
Real Estate	-3.99%	+3.16%
Consumer Staples	+2.64%	-0.43%
Consumer Discretionary	-3.45%	+4.49%
Industrials	+1.16%	-1.88%
Financials	+1.72%	-0.96%
Materials	+4.11%	-3.18%
Communication Services	+9.40%	+4.08%
Utilities	+15.26%	-4.22%

Source: FMR

GDP Growth Revised Downward

Real gross domestic product (GDP) increased at an annual rate of 1.4% in the first quarter of 2024, according to the "third" estimate released by the Bureau of Economic Analysis. In the "first" estimate, the increase in real GDP was 1.6% and in the "second" estimate it was 1.3%. In the fourth quarter of 2023, real GDP increased 3.4%.

The upward revision primarily reflected a downward revision to imports, which are a subtraction in the calculation of GDP, and upward revisions to nonresidential fixed investment and government spending. These revisions were partly offset by a downward revision to consumer spending.

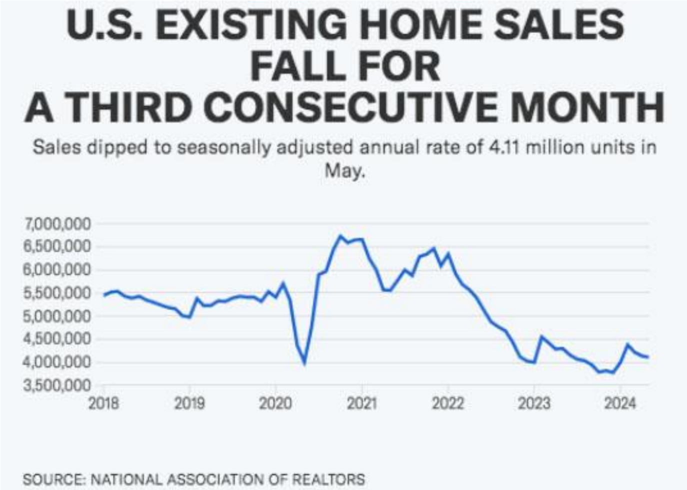


Existing Home Sales Slip

The National Association of Realtors announced that existing-home sales slightly declined in May as the median sales price climbed to a record high. In the four major U.S. regions, sales slid month-over-month in the South but were unchanged in the Northeast, Midwest and West. Year-over-year, sales rose in the Midwest but receded in the Northeast, South and West.

- Existing-home sales slipped 0.7% in May to a seasonally adjusted annual rate of 4.11 million. Sales descended 2.8% from one year ago.
- The median existing-home sales price jumped 5.8% from May 2023 to $419,300 – the highest price ever recorded and the eleventh consecutive month of year-over-year price gains.
- The inventory of unsold existing homes grew 6.7% from the previous month to 1.28 million at the end of May, or the equivalent of 3.7 months' supply at the current monthly sales pace.

"Home prices reaching new highs are creating a wider divide between those owning properties and those who wish to be first-time buyers. The mortgage payment for a typical home today is more than double that of homes purchased before 2020. Still, first-time buyers in the market understand the long-term benefits of owning."



Retail Sales Decline in May

The U.S. Census Bureau announced that U.S. retail and food services sales for May 2024 were $703.1 billion, up 0.1% from the previous month, and up 2.3% above May 2023.

Total sales for the March 2024 through May 2024 period were up 2.9% from the same period a year ago. The March 2024 to April 2024 percentage change was revised from virtually unchanged to down 0.2%. Retail trade sales were up 0.2% from April 2024, and up 2.0% above last year. Nonstore Retailers were up 6.8% from last year and Food Services and Drinking places were up 3.8% from May 2023.

Leading Economic Index Fell Again in May

The Conference Board Leading Economic Index the U.S. decreased by 0.5% in May 2024 to 101.2 (2016=100), following a 0.6% decline in April.

Over the six-month period between November 2023 and May 2024, the LEI fell by 2.0% — a smaller decrease than its 3.4% contraction over the previous six months.

The LEI's year-over-year growth remained negative but continues trending upward

"The U.S. LEI fell again in May, driven primarily by a decline in new orders, weak consumer sentiment about future business conditions, and lower building permits. While the Index's six-month growth rate remained firmly negative, the LEI doesn't currently signal a recession. We project real GDP growth will slow further to under 1 percent (annualized) over Q2 and Q3 2024, as elevated inflation and high interest rates continue to weigh on consumer spending."

Consumer Confidence Weakens in June

The Conference Board Consumer Confidence Index dipped in June to 100.4 (1985=100), down from 101.3 in May. In addition:

- The Present Situation Index – based on consumers' assessment of current business and labor market conditions – increased to 141.5 from 140.8 last month.
- The Expectations Index – based on consumers' short-term outlook for income, business, and labor market conditions – fell to 73.0 in June, down from 74.9 in May.
- The Expectations Index has been below 80 (the threshold which usually signals a recession ahead) for five consecutive months.

"Confidence pulled back in June but remained within the same narrow range that's held throughout the past two years, as strength in current labor market views continued to outweigh concerns about the future. However, if material weaknesses in the labor market appear, Confidence could weaken as the year progresses.

Consumers expressed mixed feelings this month: their view of the present situation improved slightly overall, driven by an uptick in sentiment about the current labor market, but their assessment of current business conditions cooled. Meanwhile, for the second month in a row, consumers were a bit less pessimistic about future labor market conditions. However, their expectations for both future income and business conditions weakened, weighing down the overall Expectations Index."

Present Situation

Consumers' assessment of current business conditions was, on balance, slightly less positive in June.

- 19.6% of consumers said business conditions were "good," down from 20.8% in May.
- But 17.7% said business conditions were "bad," also down from 18.4% last month.

Consumers' appraisal of the labor market improved in June.

- 38.1% of consumers said jobs were "plentiful," up from 37.0% in May.
- 14.1% of consumers said jobs were "hard to get," down from 14.3%.

Trade Deficit Rises

The U.S. Census Bureau announced that the international trade deficit was $100.6 billion in May, up $2.7 billion from $98.0 billion in April. Exports of goods for May were $166.7 billion, $4.6 billion less than April exports. Imports of goods for May were $267.3 billion, $2.0 billion less than April imports.

- Wholesale inventories for May were estimated at an end-of-month level of $901.6 billion, up 0.6% from April 2024, and were down 0.5% from May 2023.
- Retail inventories for May were estimated at an end-of-month level of $796.8 billion, up 0.7% from April 2024, and were up 5.0% from May 2023. The March 2024 to April 2024 percentage change was unrevised from the preliminary estimate of up 0.7%.

Sources: *bea.gov; census.gov; msci.com; fidelity.com; nasdaq.com; wsj.com; morningstar.com; federalreserve.gov; census.gov*