Global Market Commentary – A Very Volatile July

Global Markets Mixed and Volatile in July

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

The big discrepancy in markets was twofold: first, small-caps trounced the large- and mega-cap names as technology and growth names struggled and second, volatility jumped by more than one-third as investors rotated among sectors and industries and from growth to value.

For the month of July:

- The DJIA added 4.3%;
- The S&P 500 gained 0.9%;
- NASDAQ lost 1.6%; and
- The Russell 2000 leapt 11.1%.

In keeping with U.S. markets, performance in developed markets outside the U.S. in July was good too, as 34 of the 38 developed markets tracked by MSCI advanced. Performance in the emerging markets tracked by MSCI was arguably worse, with 20 of those 46 indices declining.

The theme that drove market performance in July remained centered around inflation, including a few more positive data sets that inflation might be abating and that the Fed might begin cutting rates in September. In fact, after leaving rates unchanged at the July FOMC meeting, Wall Street is now heavily predicting a rate cut in September. This was bolstered by Fed Chair Powell signaling that the Fed could cut rates at its next meeting, so long as data supports the notion that inflation is easing.

Volatility, as measured by the VIX, consistently increased this month, leaping a whopping 32% to end the month at 16.10.

West Texas Intermediate crude, on the other hand, generally trended down all month losing $5.03/barrel and ending the month at $78.37/barrel. For perspective, so far in 2024 the price of oil has jumped almost 11%, 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 good performance, as 34 of the 38 developed markets tracked by MSCI advanced this month. Performance for emerging markets was worse, with only 26 of those 46 indices advancing for the month.

Index Returns	July 2024
MSCI EAFE	+2.89%
MSCI EURO	+0.88%
MSCI FAR EAST	+5.26%
MSCI G7 INDEX	+1.77%
MSCI NORTH AMERICA	+1.31%
MSCI PACIFIC	+4.44%
MSCI PACIFIC EX-JAPAN	+1.59%
MSCI WORLD	+1.70%
MSCI WORLD ex USA	+3.09%

Source: MSCI. Past performance cannot guarantee future results

Sector Performance Was Good

For the month of July, sector performance was good, as 9 of the 11 S&P 500 sectors advanced, with four of them advancing 5% or more. Contrast that with the month of June, where sector performance was more mixed, as only 6 of the 11 S&P 500 sectors advanced. And July's performance was similar to May's, which saw 3 decline, but much better versus April's when 10 sectors retreated, with only the Utilities sector (+1.59%) gaining that month.

Further, July's performance saw 8 sectors advance on a relative basis from June, along with some significant changes – such as Utilities going to +6.73% in July from -4.22% in June.

Finally, and not surprisingly, for July the range in sector-returns broadened considerably relative to previous months, with Communication Services losing more than 4% and Real Estate gaining more than 7%. That is a very significant range in just a single month.

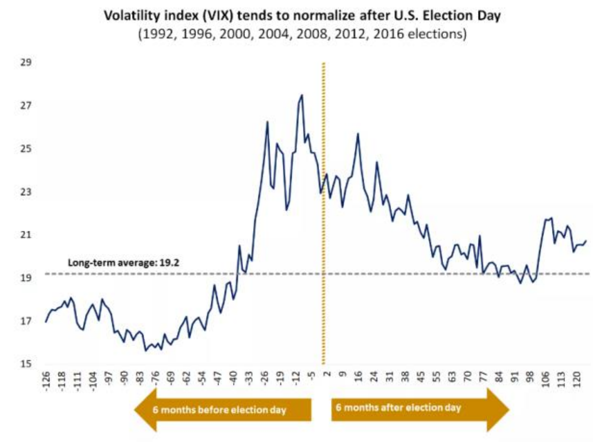
Here are the sector returns for the month of July and June (two very short time-periods):

S&P 500 Sector	June 2024	July 2024
Information Technology	+7.69%	-2.12%
Energy	+0.60%	+2.03%
Health Care	+1.17%	+2.49%
Real Estate	+3.16%	+7.12%
Consumer Staples	-0.43%	+1.77%
Consumer Discretionary	+4.49%	+1.64%
Industrials	-1.88%	+4.84%
Financials	-0.96%	+6.31%
Materials	-3.18%	+4.31%
Communication Services	+4.08%	-4.16%
Utilities	-4.22%	+6.73%

Source: FMR

Volatility Jumps This Month

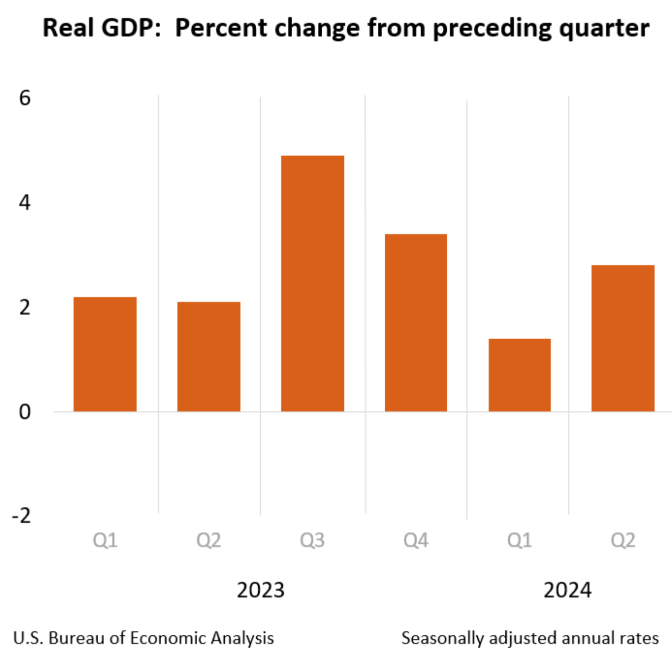
Wall Street's Fear Index – also known as the ViX – jumped a significant 32% this month, causing some consternation among investors. But looking at the historical pattern of the VIX, it is actually not uncommon in election years. In fact, past data shows that market volatility generally does increase in election years and then subsides.



Source: Bloomberg

GDP Growth Doubles From First Quarter

Real gross domestic product increased at an annual rate of 2.8% in the second quarter of 2024 according to the "advance" estimate released by the U.S. Bureau of Economic Analysis. In the first quarter, real GDP increased 1.4%.



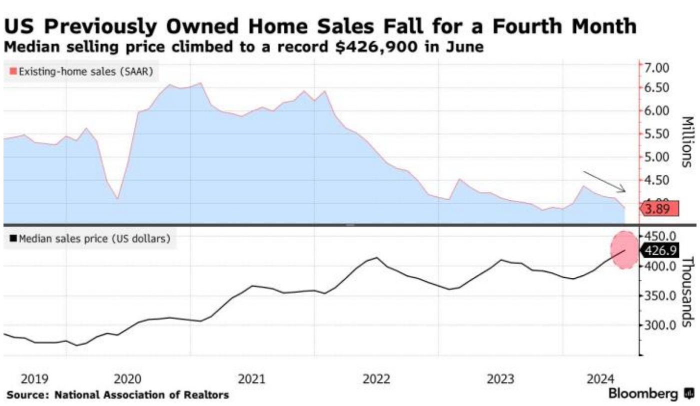
"The increase in real GDP primarily reflected increases in consumer spending, private inventory investment, and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributors were health care, housing and utilities, and recreation services. Within goods, the leading contributors were motor vehicles and parts, recreational goods and vehicles, furnishings and durable household equipment, and gasoline and other energy goods. The increase in private inventory investment primarily reflected increases in wholesale trade and retail trade industries that were partly offset by a decrease in mining, utilities, and construction industries. Within nonresidential fixed investment, increases in equipment and intellectual property products were partly offset by a decrease in structures. The increase in imports was led by capital goods, excluding automotive."

U.S. Existing Home Sales Drop 5.4%

The National Association of Realtors announced that existing-home sales fell in June as the median sales price climbed to the highest price ever recorded for the second consecutive month. All four major U.S. regions posted sales declines. Year-over-year, sales waned in the Northeast, Midwest and South but were unchanged in the West.

"We're seeing a slow shift from a seller's market to a buyer's market. Homes are sitting on the market a bit longer, and sellers are receiving fewer offers. More buyers are insisting on home inspections and appraisals, and inventory is definitively rising on a national basis."



- Total housing inventory registered at the end of June was 1.32 million units, up 3.1% from May and 23.4% from one year ago (1.07 million).

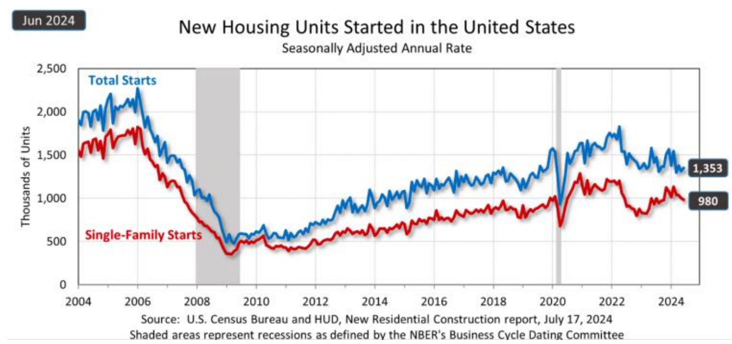
- Unsold inventory sits at a 4.1-month supply at the current sales pace, up from 3.7 months in May and 3.1 months in June 2023.

- The last time unsold inventory posted a four-month supply was May 2020 (4.5 months).

- The median existing-home price for all housing types in June was $426,900, an all-time high and an increase of 4.1% from one year ago ($410,100).

U.S. Housing Starts Decline

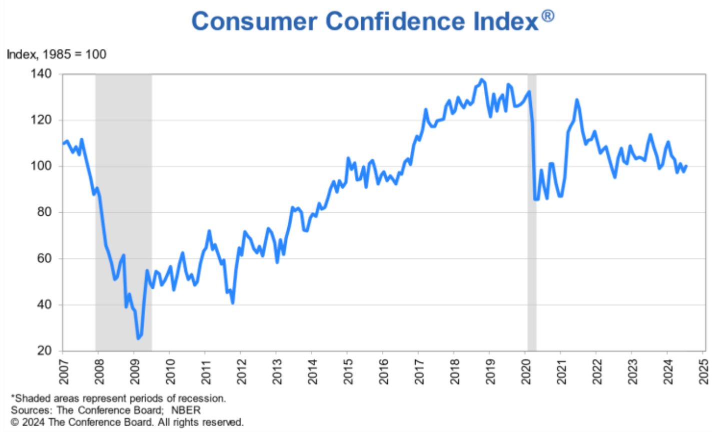
The U.S. Census Bureau and the U.S. Department of Housing and Urban Development jointly announced the following new residential construction statistics for June 2024:



Confidence Up Slightly

The Conference Board announced that its Consumer Confidence Index rose in July to 100.3 (1985=100), from a downwardly revised 97.8 in June. In addition, the ***Present Situation Index*** – based on consumers' assessment of current business and labor market conditions – declined to 133.6 from 135.3 last month. Meanwhile, the ***Expectations Index*** – based on consumers' short-term outlook for income, business, and labor market conditions – improved in July to 78.2. That's up from 72.8 in June but still below 80 (the threshold which usually signals a recession ahead).

"Confidence increased in July, but not enough to break free of the narrow range that has prevailed over the past two years. Even though consumers remain relatively positive about the labor market, they still appear to be concerned about elevated prices and interest rates, and uncertainty about the future; things that may not improve until next year."



"Compared to last month, consumers were somewhat less pessimistic about the future. Expectations for future income improved slightly, but consumers remained generally negative about business and employment conditions ahead. Meanwhile, consumers were a bit less positive about current labor and business conditions. Potentially, smaller monthly job additions are weighing on consumers' assessment of current job availability: while still quite strong, consumers' assessment of the current labor market situation declined to its lowest level since March 2021."

Present Situation

Consumers' assessment of **current business conditions** was slightly less positive in July.

- 18.8% of consumers said business conditions were "good," down slightly from 18.9% in June.
- 18.3% said business conditions were "bad," up from 18.1%.

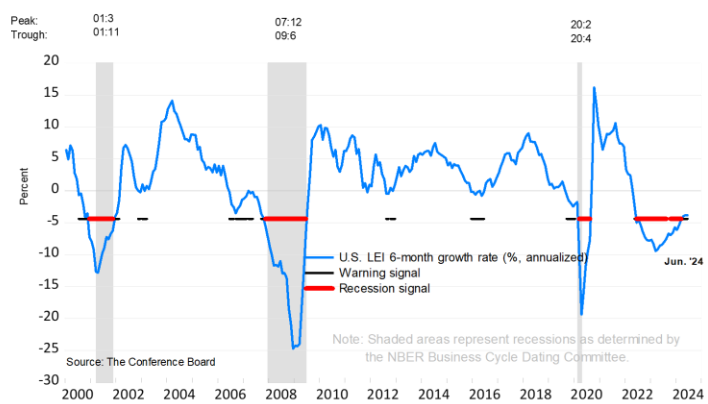
Consumers' appraisal of the **labor market** deteriorated in July.

- 34.1% of consumers said jobs were "plentiful," down from 35.5% in June.
- 16.0% of consumers said jobs were "hard to get," up from 15.7%.

Leading Indicators Decline In June

The Conference Board Leading Economic Index for the U.S. declined by 0.2% in June 2024 to 101.1, following a decline of 0.4% in May. Over the first half of 2024, the LEI fell by 1.9%, a smaller decrease than its 2.9% contraction over the second half of last year.

The six-month growth rate of the LEI has trended less negative, switching off the recession signal

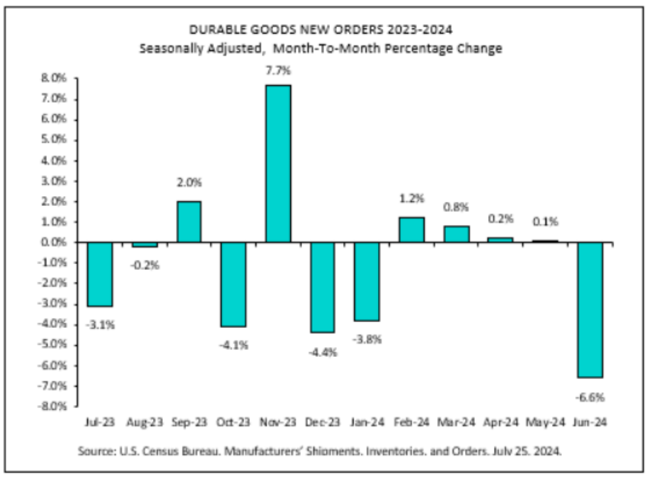


"The US LEI continued to trend down in June, but the contraction was smaller than in the past three months. The decline continued to be fueled by gloomy consumer expectations, weak new orders, negative interest rate spread, and an increased number of initial claims for unemployment.

However, due to the smaller month-on-month rate of decline, the LEI's long-term growth has become less negative, pointing to a slow recovery. Taken together, June's data suggest that economic activity is likely to continue to lose momentum in the months ahead. We currently forecast that cooling consumer spending will push US GDP growth down to around 1% (annualized) in Q3 of this year."

Factory Orders Down

New orders for manufactured durable goods in June, down following four consecutive monthly increases, decreased $18.6 billion or 6.6% to $264.5 billion, the U.S. Census Bureau announced. This followed a 0.1% May increase.



- Excluding transportation, new orders increased 0.5%.
- Excluding defense, new orders decreased 7.0%.
- Transportation equipment, down two of the last three months, drove the decrease, $19.6 billion or 20.5% to $75.8 billion.

Sources: conference-board.org; nar.realtor; bea.gov; census.gov; msci.com; fidelity.com; nasdaq.com; wsj.com; morningstar.com