

# MARKET VIEW WEEKLY

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## ECONOMIC REVIEW<sup>1</sup>

- Retail sales for June were unchanged (0.0%) from May but beat expectations of -0.3%.
  - May retail sales were also revised higher from 0.1% to 0.3%.
  - 10 of the 13 spending categories in June were positive with non-store retailers posting the highest gain of 1.9%.
  - Core retail sales, which exclude auto sales and gas stations, also rose 0.8% month-over-month.
  - On a year-over-year basis, retail sales were up 2.3%.
- Housing starts in June rebounded 3.0% to an annualized rate of 1.353 million, which beat expectations of 1.30 million.
  - On a year-over-year basis, housing starts are down 4.4%.
    - Single-family housing starts increased 5.4% but multi-unit starts fell -23.4%.<sup>2</sup>
- New building permits also rose 3.4% in June to an annualized rate of 1.446 million, which beat expectations of 1.40 million.
  - On a year-over-year basis, single-family home permits have declined -1.3% and multi-unit home permits are down -6.5%.
- The Conference Board Leading Economic Index (LEI) for the U.S. fell slightly by -0.2% in June to 101.1.

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

- Better than expected retail sales data reversed some concerns of a pullback in consumption earlier in the year. The latest data indicated a consumer that is still spending, providing a tailwind for the economy, which makes up nearly 70% of the U.S. Gross Domestic Product (GDP).
- Housing starts and building permits recovered from May but still indicate a housing market in an imbalance as homebuilder confidence dropped to a seven-month low and affordability remains a key issue for homebuyers.
- LEI declined 1.9% during the first half of this year but represented a smaller contraction than the second half of last year and is no longer signaling a recession.



## A LOOK FORWARD<sup>1</sup>

- Investors next week will focus on the first GDP estimate for the second quarter and the Personal Consumption Expenditure (PCE) deflator for June.

### How do GDP and PCE impact you?

- The Federal Reserve's (Fed) preferred inflation measure is PCE. Another better-than-expected inflation report could provide the necessary continued disinflation data the Fed needs to begin their path towards rate cuts in the following months. The market is currently expecting a 97% chance the first-rate cut will take place in September.
- Next week's GDP report will be watched closely for any unexpected weakness in the economy as the Fed tries to maneuver a soft landing.



## MARKET UPDATE<sup>3</sup>

Market Index Returns as of 7/19/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-1.95%	0.88%	16.30%	23.22%	10.09%	14.95%
NASDAQ	-3.65%	-0.02%	18.55%	27.02%	7.77%	17.78%
Dow Jones Industrial Average	0.73%	3.07%	8.01%	16.70%	7.46%	10.51%
Russell Mid-Cap	0.03%	2.83%	7.93%	12.44%	3.80%	9.87%
Russell 2000 (Small Cap)	1.69%	6.72%	8.57%	12.72%	1.27%	8.59%
MSCI EAFE (International)	-2.39%	2.00%	7.45%	11.11%	4.34%	6.92%
MSCI Emerging Markets	-2.96%	0.70%	8.24%	9.76%	-3.41%	3.11%
Bloomberg Barclays US Agg Bond	-0.33%	1.21%	0.49%	3.72%	-2.97%	0.01%
Bloomberg Barclays High Yield Corp.	0.30%	1.39%	4.01%	10.90%	2.13%	4.19%
Bloomberg Barclays Global Agg	-0.16%	1.59%	-1.62%	1.29%	-5.23%	-1.68%



## OBSERVATIONS

- Equity markets were mixed as technology stocks drove the selloff. The Dow Jones led the way, rising 0.73%. The S&P 500 and tech-heavy NASDAQ fell -1.95% and -3.65%, respectively.
- Mid Cap equities were flat for the week while Small Caps, measured by the Russell 2000 Index, rose 1.69% and outperformed their large-cap counterparts.
- International and Emerging markets were negative last week, returning -2.39% and -2.96%, respectively. US Small Caps are now outperforming Emerging Market equities year-to-date.
- Fixed income indices were fairly muted last week as investors await more inflation data this week. The Global Aggregate Bond Index declined -0.16%, the U.S. Aggregate Bond Index fell -0.33%, and the High Yield Corporate Index rose 0.30%.



## BY THE NUMBERS

- **President Biden Will Not Seek Reelection; Endorses Harris:** President Joe Biden ended his reelection bid and endorsed Vice President Kamala Harris to succeed him on Sunday. Biden's departure capped off weeks of concern about the 81-year-old president's stamina and mental capabilities and skepticism of his ability to effectively campaign against former President Donald Trump and govern the country for another four years. It's the first time a one-term US president has dropped out of a reelection run in decades and recalls President Lyndon Johnson's decision not to seek a second full term in 1968. His exit from the race sets the stage for the conclusion to a political career that has spanned a half-century, one that saw Biden enter as one of the youngest senators in U.S. history and exit as its oldest president. President Biden in a statement said he will speak to the nation later this week in more detail about his decision.<sup>4</sup>
- **A Faulty Software Update Causes Havoc Worldwide for Airlines, Hospitals, and Governments:** A faulty software update caused technological havoc worldwide on Friday, grounding flights, knocking down some financial companies and news outlets, and disrupting hospitals, small businesses, and government offices. The breadth of the outages highlighted the fragility of a digitized world dependent on just a few providers for key computing services. The trouble was sparked by an update issued by cybersecurity firm CrowdStrike and only affected its customers running Microsoft Windows, the world's most popular operating system for personal computers. It was not the result of hacking or a cyberattack, according to CrowdStrike. Shares of CrowdStrike, which is based in Austin, Texas, ended Friday trading down more than 11%.<sup>5</sup>

## *Economic Definitions*

**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.

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

**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.

**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.

**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.

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

## *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.

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<sup>1</sup> Data obtained from Bloomberg as of 7/19/2024

<sup>2</sup> [newresconst.pdf \(census.gov\)](#)

<sup>3</sup> Data obtained from Morningstar as of 7/19/2024

<sup>4</sup> [Biden will not seek reelection; endorses Harris \(msn.com\)](#)

<sup>5</sup> [Flights, banks and media hit as internet users report global outages | AP News](#)