



MARKET MONTH: JULY 2024

The Markets (as of market close July 31, 2024)

Stocks closed mostly higher in July. Tech shares, including AI stocks, which had been a bellwether for much of the year, retreated in July, dragging the Nasdaq to its worst July performance since 2014. The remaining indexes fared better, with the Russell 2000 enjoying its best month since December 2023 and its best July since 2022. The Dow also had its best month of the year. Most of the market sectors advanced in July, with the notable exceptions of communication services (-4.5%) and information technology (-2.4%). Real estate (7.5%), financials (6.0%), and utilities (5.9%) outpaced the remaining sectors.

Inflationary data showed price pressures stabilized in June. The 12-month interest rates of the Consumer Price Index and the Personal Consumption Expenditures (PCE) Price Index declined. Prices for commodities that are prevalent for most households, such as food at home, gasoline, new and used motor vehicles, and apparel, changed very little over the year. The PCE price index, the preferred barometer of the Federal Reserve, slowed to 2.5% for the year ended in June (see below) as it inches closer to the Fed's 2.0% target inflation rate.

Growth of the U.S. economy continued at a modest pace, despite the Fed's restrictive monetary policy. The gross domestic product (GDP) exceeded expectations after increasing 2.8% in the second quarter, following a 1.4% increase in the first quarter (see below). Consumer spending, the largest contributor in the calculation of GDP, rose 2.8%, with spending rising in durable goods, nondurable goods, and services. Private investments, another key component of GDP, also increased. Consumer confidence (see below) grew in July after trending lower in May.

Job growth notably slowed over the past several months. Although job gains exceeded expectations in June (see below), downward revisions to estimates for April and May clearly show that average monthly gains in the second quarter of the year (177,000) are well below the average gains in the first quarter (267,000). Wage growth has changed little throughout the year. The 12-month rate for the period ended in June (3.9%) was only 0.2 percentage points lower than the rate for the period ended in May. New weekly unemployment claims decreased from a year ago, while total claims paid increased (see below).

Nearing the midpoint of Q2 corporate earnings season, S&P 500 companies are reporting mixed results. About 41% of the S&P 500 companies have reported results. Of those companies, 78% reported earnings per share (EPS) above estimates, which is in line with the five-year average of 77% and higher than the 10-year average of 74%. Overall, as of July 26, the index reported an earnings growth rate of 9.8%, which is above the 8.9% growth rate for the three months ended in June. Eight of the 11 sectors are reporting year-over-year growth, with four of these eight sectors reporting double-digit growth: communication services, information technology, financials, and



health care. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Materials sector.

Sales of both existing homes and new homes declined in July (see below). Higher mortgage rates have slowed sales, with inventory expanding and the sales process lengthening. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.77% as of July 18. That's down from 6.89% one week ago and 6.78% one year ago.

Industrial production expanded in June for the second straight month (see below). Manufacturing output increased in June and was 1.1% above its year-earlier level. Within manufacturing, durable manufacturing was unchanged in June, while nondurable manufacturing increased 0.8%. According to the latest survey from the S&P Global US Manufacturing Purchasing Managers' Index™, the manufacturing sector perked up in June, while the services sector saw business accelerate at a quicker pace than in May.

Bond yields gained as bond prices declined in July. Ten-year Treasury yields generally closed the month lower. The two-year Treasury yield fell nearly 50 basis points to about 4.26% on the last day of July. The dollar slipped lower against a basket of world currencies. Gold prices climbed higher. Crude oil prices declined, influenced by ongoing unrest in the Middle East and waning Chinese demand. The retail price of regular gasoline was \$3.484 per gallon on July 29, \$0.046 above the price a month earlier but \$0.273 less than the price a year ago.

Stock Market Indexes

Market/Index	2023 Close	Prior Month	As of July 31	Monthly Change	YTD Change
DJIA	37,689.54	39,118.86	40,842.79	4.41%	8.37%
Nasdaq	15,011.35	17,732.60	17,599.40	-0.75%	17.24%
S&P 500	4,769.83	5,460.48	5,522.30	1.13%	15.78%
Russell 2000	2,027.07	2,047.69	2,254.48	10.10%	11.22%
Global Dow	4,355.28	4,677.14	4,811.50	2.87%	10.48%
fed. funds target rate	5.25%-5.50%	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps



10-year Treasuries	3.86%	4.34%	4.10%	-24 bps	24 bps
US Dollar-DXY	101.39	105.88	104.09	-1.69%	2.66%
Crude Oil-CL=F	\$71.30	\$81.51	\$78.53	-3.66%	10.14%
Gold-GC=F	\$2,072.50	\$2,335.00	\$2,494.20	6.82%	20.35%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark the performance of specific investments.

Latest Economic Reports

- Employment:** June jobs data came in above expectations. Total employment increased by 206,000 in June, similar to the average monthly gain of 220,000 over the prior 12 months. The June increase followed downward revisions in both April and May, which totaled 111,000. In June, job gains occurred in government, health care, social assistance, and construction. In June, the unemployment rate increased 0.1 percentage point to 4.0% and was 0.3 percentage point above the rate from a year earlier (3.7%). The number of unemployed persons was relatively unchanged at 6.6 million. In June, the number of long-term unemployed (those jobless for 27 weeks or more), at 1.5 million, rose by 166,000 and accounted for 22.2% of all unemployed people. The labor force participation rate, at 62.6%, was 0.1 percentage point above the prior month's estimate, while the employment-population ratio, at 60.1%, was unchanged from the previous month. In June, average hourly earnings increased by \$0.10, or 0.3%, to \$35.00. Since June 2023, average hourly earnings rose by 3.9%, which is down from the May figure of 4.1%. The average workweek was unchanged at 34.3 hours in June for the third straight month.
- There were 235,000 initial claims for unemployment insurance for the week ended July 20, 2024. During the same period, the total number of workers receiving unemployment insurance was 1,851,000. A year ago, there were 231,000 initial claims, while the total number of workers receiving unemployment insurance was 1,765,000.
- FOMC/interest rates:** The Federal Open Market Committee met at the end of July. Following that meeting, the Committee kept interest rates at their current levels. However, the meeting statement indicated that, although economic activity continued to expand at a solid pace, job gains had moderated, and the unemployment rate had moved up but remained low. In addition, inflation had eased but remained somewhat elevated. The



FOMC noted that while some further progress had been made toward achieving the Committee's 2.0% target, they are still looking for further evidence that inflation is moving sustainably toward 2.0%. Nevertheless, it appears that, unless inflationary pressures spike, the Committee is likely to consider reducing interest rates following its September meeting.

- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 2.8% in the second quarter of 2024, according to the initial estimate from the Bureau of Economic Analysis. GDP increased 1.4% in the first quarter. While the second-quarter estimate is based on incomplete data, it, nevertheless, rose by more than expected. Personal consumption expenditures rose 2.3% in the second quarter compared to a 1.5% increase in the previous quarter. Consumer spending on goods increased 2.5%, while spending on services rose 2.2%. Gross domestic investment advanced 8.4% in the second quarter, well above the 4.4% increase in the first quarter. Nonresidential (business) fixed investment advanced 5.2% in the second quarter (4.4% in the first quarter), while residential fixed investment decreased 1.4% compared to a 16.0% increase in the first quarter. Exports climbed 2.0%, while imports, which are a negative in the calculation of GDP, increased 6.9%. Consumer prices rose 2.6% in the second quarter, compared with an increase of 3.4% in the previous quarter. Excluding food and energy prices, the PCE price index increased 2.9% compared with an increase of 3.7% in the first quarter.
- The federal budget deficit in June was \$66.0 billion following May's surplus of \$347.0 billion. In June, government receipts totaled \$466.0 billion, while government outlays were \$532.0 billion. Through the first nine months of fiscal year 2024, the total deficit sits at \$1,268.0 trillion, which is roughly \$125.0 billion lower than the deficit through the first nine months of the previous fiscal year.
- **Inflation/consumer spending:** Personal income increased 0.2% in June (0.4% in May). Disposable personal income (less taxes) also rose 0.2% (0.4% in May). Personal spending, as measured by personal consumption expenditures, rose 0.3% in June (0.4% in May). The PCE price index, a measure of inflation, increased 0.1% in June after registering no gain in May. Excluding food and energy, the PCE price index increased 0.2% (0.1% in May). From a year ago, the PCE price index rose 2.5% (0.1% less than the May estimate) and 2.6% when excluding food and energy.
- The Consumer Price Index (CPI) declined 0.1% in June after being unchanged in May. Over the 12 months ended in June, the CPI rose 3.0%, down 0.3 percentage point from the 12-month period ended in May. Excluding food and energy, the CPI rose 0.1% in June, (0.2% in May), and 3.3% from June 2023, which is the smallest 12-month increase since April 2021. In June, prices for food rose 0.2% (2.2% for the year), while prices for shelter increased 0.2% (the smallest monthly increase since August 2021) and 5.2% over the past 12 months, which is the lowest year-over-year increase since the period ended in April



2022. Energy prices declined 2.0% in June, while gasoline prices decreased 3.8%. The Fed should pay particular attention to the decline in shelter costs, which compose about one-third of the CPI basket of goods and services.

- While prices paid by consumers may have moderated in June, prices that producers received for goods and services increased 0.2% in June after being unchanged in May. The June increase was attributable to a 0.6% jump in prices for services. Prices for goods fell 0.5% in June after declining 0.8% in May. Nearly all of the June increase in prices for services was attributable to a 1.9% increase in margins for trade services, which measure changes in margins received by wholesalers and retailers. Prices for gasoline declined 5.8% in June. Over the last 12 months, producer prices have increased 2.6%, up from 2.4% for the 12 months ended in May. Excluding food and energy, producer prices increased 3.0% for the year ended in June, which is the highest 12-month increase since April 2023.
- **Housing:** Sales of existing homes fell 5.4% in June and 5.4% over the last 12 months. According to the National Association of Realtors® (NAR), the market for existing homes is slowly shifting from a seller's market to a buyer's market. The pace of sales is waning slightly and sellers are receiving fewer offers. Inventory is rising on a national basis. Unsold inventory of existing homes in June represented a 4.1-month supply at the current sales pace, up from 3.7 months in May. The median existing-home price was at an all-time high of \$426,900 in June, up from the May estimate of \$417,200, and 4.1% above the June 2023 price of \$410,100. Sales of existing single-family homes decreased 5.1% in June and 4.3% from the prior year. The median existing single-family home price was \$432,700 in June, up from \$422,400 in May and well above the June 2023 estimate of \$415,700.
- New single-family home sales also declined in June, falling 0.6% below the May estimate and 7.4% under the June 2023 rate. The median sales price of new single-family houses sold in June was \$417,300 (\$407,100 in May). The June average sales price was \$487,200 (\$504,500 in May). The inventory of new single-family homes for sale in June represented a supply of 9.3 months at the current sales pace, up from 9.1 months in May.
- **Manufacturing:** Industrial production rose 0.6% in June, following a 0.9% advance in May. Manufacturing output increased 0.4% in June after climbing 1.0% in May. Mining increased 0.3% in June, while utilities advanced 2.8%. For the 12 months ended in June, total industrial production advanced 1.6% from its year-earlier level. Over the same period, manufacturing increased 1.1%, mining decreased 0.6%, while utilities increased 7.9%.
- New orders for durable goods declined 6.6% in June, following four consecutive monthly increases. Excluding transportation, new orders increased 0.5% in June. Excluding defense, new orders fell 7.0%. Transportation equipment, down 20.5%, drove the overall decrease in new orders. Cancellations of new orders for private aircraft largely contributed



to the drop in transportation equipment. In fact, new orders for nondefense aircraft and parts fell 127.2% in June.

- **Imports and exports:** U.S. import prices were unchanged in June after decreasing 0.2% in May. Lower import fuel prices (-1.0%) in June offset higher nonfuel prices (0.2%). Import prices advanced 1.6% over the last 12 months, the largest 12-month increase since December 2022. Export prices decreased 0.5% in June after declining 0.7% the previous month. The June and May drops were the first one-month decreases since December 2023. Lower prices for nonagricultural exports in both months more than offset higher agricultural prices. Despite the recent declines, prices for exports advanced 0.7% over the past 12 months.
- The international trade in goods deficit was \$96.8 billion in June, down \$2.5 billion, or 2.5%, from May. Exports of goods were \$172.3 billion in June, \$4.3 billion, or 2.5%, more than in May. Imports of goods were \$269.2 billion in June, \$1.7 billion, or 0.7%, above the May estimate. Since June 2023, exports increased 5.7%, while imports increased 6.9%.
- The latest information on international trade in goods and services, released July 3, is for May and revealed that the goods and services trade deficit was \$75.1 billion, up \$0.6 billion, or 0.8%, from the April deficit. May exports were \$261.7 billion, 0.7% less than April exports. May imports were \$336.7 billion, 0.3% below April's estimate. Year to date, the goods and services deficit increased \$14.4 billion, or 4.2%, from the same period in 2023. Exports increased \$42.8 billion, or 3.4%. Imports increased \$57.2 billion, or 3.6%.
- **International markets:** Global inflation seems to be trending lower and some central banks are beginning to ease interest rate restrictions in response. The national banks of China and Canada cut interest rates in July, while there's an increasing likelihood that the Bank of England will follow suit in early August. On the other hand, the Bank of Japan raised its benchmark interest rate, but not in response to growing inflationary concerns. Instead, the decision to hike rates was due to concerns over the historically weak yen. Japanese officials are hopeful that raising interest rates could push up the yen and spur economic growth. For July, the STOXX Europe 600 Index rose 0.72%; the United Kingdom's FTSE gained 2.3%; Japan's Nikkei 225 Index fell 3.6%; and China's Shanghai Composite Index declined 1.5%.
- **Consumer confidence:** Consumer confidence rose in July to 100.3, from a downwardly revised 97.8 in June, according to the Conference Board Consumer Confidence Index®. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, decreased to 133.6 in June, down from 135.3 in the previous month. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, increased to 78.2 in July, up from 72.8 in June. The



Expectations Index has been below 80 (the threshold which usually signals a recession ahead) for six consecutive months.

Eye on the Month Ahead

All eyes will be on the inflation data released in August for July. Inflationary pressures resumed a downward trend, and if it continues, the Fed, which does not meet in August, may be more inclined to lower interest rates when it meets next in September.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

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