



Equities

U.S. stocks gained as the June CPI report showed further progress on inflation. The market rotated heavily toward left-behind parts of the market like small-caps, which gained 6% and outperformed the Nasdaq 100 by the most since November 2020. Interest rate-sensitive industries such as real estate, utilities, and consumer durables all caught a bid, while the Magnificent Seven fell -1.71%. Whether this portends a "Great Rotation" will depend heavily on the Q2 earnings season, which began Friday with lukewarm results from Wells Fargo and JPMorgan. S&P 500 EPS is expected to grow 8.1% y/y, with the Mag 7 driving about half the growth.

Fixed income

Yields fell across the board in the wake of the friendly inflation data. Markets have now fully priced a Fed rate cut at the September 18 FOMC meeting and are toggling between 2 and 3 cuts total for the remainder of 2024. The 10-year fell 10 bps on the back of the CPI data and ended the week at 4.18%, the lowest since March. The 2-year similarly plunged -15 bps and finished the week at 4.45%. The Bloomberg Agg ended the week up 0.82% and is back in positive territory for the year.

Commodities

Oil prices drifted lower over the first half of the week before rebounding as the U.S. dollar sank. Backwardation - in which the spot price trades at a higher price than futures - has steepened to its highest in almost a year, implying strong oil demand. Overall, commodities underperformed last week as natural gas prices came down and industrial metals declined. Gold prices jumped as rates fell.

Economic overview

Consumer prices fell -0.1% m/m in June, well below market expectations, in a report that was widely viewed as friendly to a Fed rate cut opportunity. Excluding food and energy, prices rose 0.1% m/m when 0.2% was expected as relief on rent inflation finally arrived. Owners' equivalent rent rose a modest 0.3% m/m, and shelter, which includes home energy prices, rose only 0.2%. Finally, core services excluding shelter - known as supercore inflation - fell for the second month in a row. Producer prices rose 0.2% m/m in June, a tad higher than expected, but didn't ruin the overall tone that inflation has meaningfully decelerated in Q2 after running uncomfortably hot in Q1.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	5,615.35	2.84%	2.84%	17.73%	24.23%
DJIA	40,000.90	2.25%	2.25%	6.13%	13.70%
NASDAQ	18,398.45	3.75%	3.75%	22.56%	43.42%
Russell 2000	2,148.27	4.91%	4.91%	5.98%	15.09%
MSCI World	3,627.52	3.30%	3.30%	14.46%	21.77%
MSCI Europe	2,183.28	4.19%	4.19%	8.06%	16.68%
MSCI EAFE	2,418.31	4.48%	4.48%	8.15%	15.03%
MSCI Asia	187.97	4.13%	4.13%	10.97%	8.76%
MSCI EM	1,123.56	3.43%	3.43%	9.75%	7.04%
VIX	12.46	0.02	0.02	0.01	-9.22

Fixed income (total return index)		MTD	QTD	YTD	2023
Barclays U.S. Agg	2,179.73	1.54%	1.54%	0.82%	5.53%
Inv. grade bonds	3,262.71	1.79%	1.79%	1.29%	8.52%
High yield bonds	2,571.52	1.08%	1.08%	3.69%	13.45%
Leveraged Loans	3,904.12	0.35%	0.35%	4.72%	13.32%

Alternatives (total return index)		MTD	QTD	YTD	2023
FTSE NAREIT					
REIT Index	24,376.55	4.18%	4.18%	1.89%	11.36%
GS Commodity Index	572.39	-1.04%	-1.04%	6.86%	-12.20%
Alerian MLP Index	2,246.87	1.19%	1.19%	19.11%	26.56%

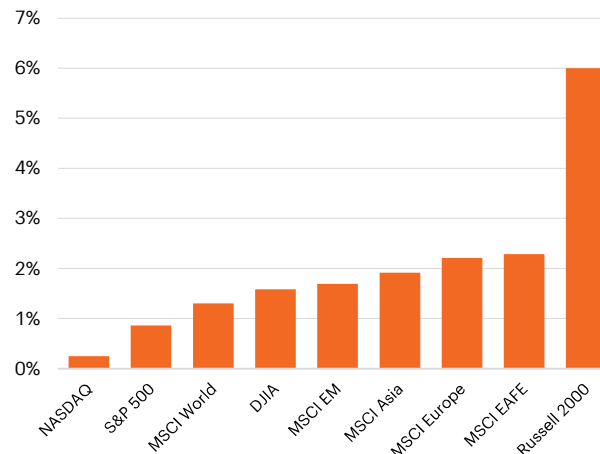
Commodities		MTD	QTD	YTD	2023
WTI Crude	\$82.21	0.82%	0.82%	14.74%	-10.73%
Brent Crude	\$85.03	-1.60%	-1.60%	10.37%	-10.32%
Natural Gas	\$2.33	-10.46%	-10.46%	-7.36%	-43.82%
Gold	\$2,421	3.47%	3.47%	16.84%	13.45%

Currency		MTD	QTD	YTD	2023
Dollar Index (DXY)	104.09	-1.67%	-1.67%	2.72%	-2.11%
USDCNY	7.25	-0.23%	-0.23%	2.12%	2.92%
Bitcoin	57,559	-4.26%	-4.26%	35.41%	157.01%

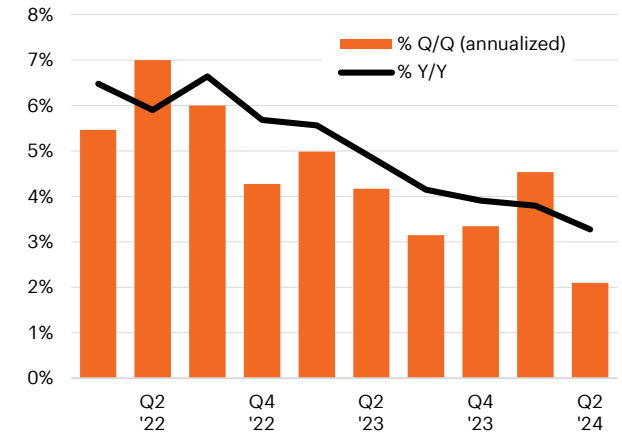
Spreads		MTD	QTD	YTD	2023
Inv. grade bonds	89 bps	-5 bps	-5 bps	-10 bps	-31 bps
High yield bonds	307 bps	-2 bps	-2 bps	-16 bps	-146 bps
Leveraged loans	428 bps	-2 bps	-2 bps	-31 bps	149 bps
Emerging markets	262 bps	0 bps	0 bps	-35 bps	-42 bps

Interest rates		MTD	QTD	YTD	2023
Fed Funds Target	5.325%	5.325%	5.325%	5.325%	4.38%
SOFR	5.34%	1 bps	1 bps	-4 bps	108 bps
3-month LIBOR*	5.56%	-2 bps	-2 bps	-3 bps	83 bps
2-year Treasury	4.45%	-30 bps	-30 bps	20 bps	-18 bps
10-year Treasury	4.18%	-21 bps	-21 bps	30 bps	0 bps
30-year Treasury	4.40%	-16 bps	-16 bps	37 bps	7 bps
Barclays U.S. Agg	4.75%	-25 bps	-25 bps	22 bps	-15 bps
Inv. grade bonds	5.22%	-26 bps	-26 bps	16 bps	-36 bps
High yield bonds	7.67%	-24 bps	-24 bps	8 bps	-137 bps

Last week's equity returns



CPI decelerated in Q2



Source: Bureau of Labor Statistics, FS Investments, as of July 12, 2024.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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