



Equities

U.S. stocks continued their remarkable rotation as small caps and rate-sensitive stocks trounced megacap tech. The Russell 2000 has gained 7.80% over the last two weeks while the Nasdaq 100 has shed -4.26%, the largest two-week gap in performance since 2002. The combination of a friendly CPI report and increasing odds of a Trump election victory has been a boon for high-beta equities, though the trend showed signs of exhaustion by week's end. All told, the S&P 500 fell -1.97% as the Magnificent 7 detracted -130 bps on the week. Bank earnings have thus far been mixed, with strong trading results offsetting weaker interest margins; earnings kick into gear this week, with bellwethers Tesla, Visa, and Alphabet reporting.

Fixed income

U.S. Treasury yields extended their post-CPI decline for much of the week before rebounding to end the week. The 10-year yield ended at 4.24% while the 2-year yield rose to 4.51% as traders continue to oscillate between two and three rate cuts this year. The Bloomberg Agg fell -0.33% while credit was more constructive.

Commodities

Oil prices ended the week down slightly, rising midweek as the dollar weakened before moderating into week's end as rates rebounded and the dollar gained. Another large drawdown in crude inventories – the third in as many weeks – steered the market's confidence that demand remains solid. Gold fell slightly, moving opposite interest rates, while copper plunged -6% as China continues to disappoint on the stimulus front.

Economic overview

Data were stronger than expected last week, including a 0.0% gain in retail sales (vs a small expected decline) and a 0.9% m/m increase in the "control" group that aligns with GDP. This caused the Atlanta Fed's GDPNow model to rise to 2.5% in Q2 vs 2.0% previously. Industrial production growth also surprised to the upside, up 0.6% m/m when a 0.3% gain was expected. Strong auto and energy production drove industrial activity in June. Housing starts and building permits bounced more than expected in June after falling in May, but remain at depressed levels. Finally, initial jobless claims rose to 243,000 in the week ending July 13, and continuing claims hit 1.87 million, the highest since the COVID recession.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	5,505.00	0.82%	0.82%	15.41%	24.23%
DJIA	40,287.53	2.99%	2.99%	6.89%	13.70%
NASDAQ	17,726.94	-0.03%	-0.03%	18.09%	43.42%
Russell 2000	2,184.35	6.67%	6.67%	7.76%	15.09%
MSCI World	3,553.76	1.20%	1.20%	12.14%	21.77%
MSCI Europe	2,118.88	1.12%	1.12%	4.87%	16.68%
MSCI EAFE	2,360.51	1.98%	1.98%	5.56%	15.03%
MSCI Asia	183.33	1.56%	1.56%	8.23%	8.76%
MSCI EM	1,089.61	0.31%	0.31%	6.43%	7.04%
VIX	16.52	4.08	4.08	4.07	-9.22

Fixed income (total return index)		MTD	QTD	YTD	2023
Barclays U.S. Agg	2,172.57	1.21%	1.21%	0.49%	5.53%
Inv. grade bonds	3,248.48	1.34%	1.34%	0.85%	8.52%
High yield bonds	2,579.31	1.39%	1.39%	4.01%	13.45%
Leveraged Loans	3,911.06	0.53%	0.53%	4.90%	13.32%

Alternatives (total return index)		MTD	QTD	YTD	2023
FTSE NAREIT	24,753.06	5.78%	5.78%	3.47%	11.36%
REIT Index					
GS Commodity Index	555.85	-3.90%	-3.90%	3.77%	-12.20%
Alerian MLP Index	2,282.05	2.77%	2.77%	20.97%	26.56%

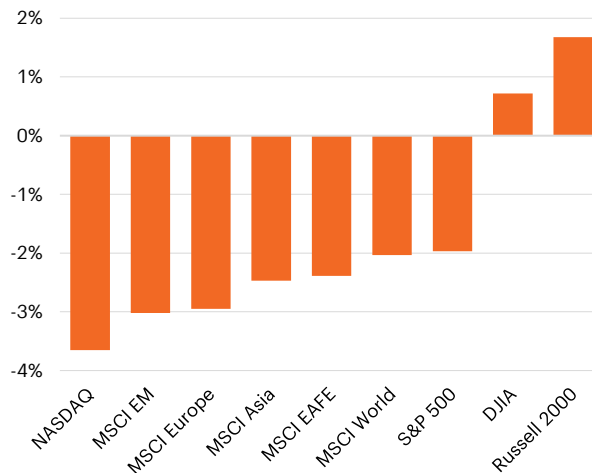
Commodities		MTD	QTD	YTD	2023
WTI Crude	\$80.13	-1.73%	-1.73%	11.84%	-10.73%
Brent Crude	\$82.63	-4.37%	-4.37%	7.26%	-10.32%
Natural Gas	\$2.13	-18.19%	-18.19%	-15.35%	-43.82%
Gold	\$2,399	2.54%	2.54%	15.80%	13.45%

Currency		MTD	QTD	YTD	2023
Dollar Index (DXY)	104.40	-1.39%	-1.39%	3.02%	-2.11%
USDCNY	7.27	0.04%	0.04%	2.39%	2.92%
Bitcoin	66,986	11.42%	11.42%	57.58%	157.01%

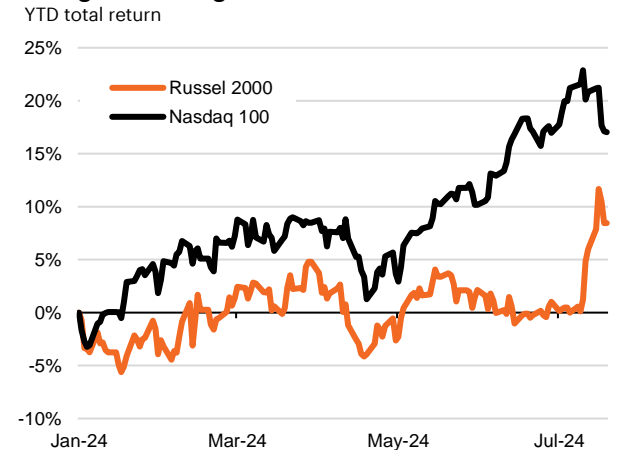
Spreads		MTD	QTD	YTD	2023
Inv. grade bonds	91 bps	-3 bps	-3 bps	-8 bps	-31 bps
High yield bonds	303 bps	-6 bps	-6 bps	-20 bps	-146 bps
Leveraged loans	427 bps	-3 bps	-3 bps	-32 bps	-101 bps
Emerging markets	263 bps	1 bps	1 bps	-34 bps	-42 bps

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*	5.54%	-4 bps	-4 bps	-5 bps	83 bps
2-year Treasury	4.51%	-24 bps	-24 bps	26 bps	-18 bps
10-year Treasury	4.24%	-16 bps	-16 bps	36 bps	0 bps
30-year Treasury	4.45%	-11 bps	-11 bps	42 bps	7 bps
Barclays U.S. Agg	4.81%	-19 bps	-19 bps	28 bps	-15 bps
Inv. grade bonds	5.30%	-18 bps	-18 bps	24 bps	-36 bps
High yield bonds	7.67%	-24 bps	-24 bps	8 bps	-137 bps

Last week's equity returns



A long time coming



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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