



Equities

U.S. stocks fell for a second straight week amid a reversal in the powerful AI trade. The Magnificent 7 – having lifted the market for most of the past 18 months – have turned into an albatross, detracting 1.5% from S&P 500 return just this month. Investors have been patient as companies spend billions to build out AI infrastructure, but this earnings season has brought into stark relief the slow progress on applying the technology. Still, results in Q2 have mostly been strong, with the market on pace to grow EPS 11.3% y/y. The Russell 2000 – which trailed the Nasdaq 100 by 21% YTD just two weeks ago – has pulled almost even, evidence of a remarkable equity rotation.

Fixed income

Fixed income was in a holding pattern, with the 2-year and 10-year Treasury yields trading in a narrow 10 bps band and ending the week down a few basis points. The focus is on this week's FOMC meeting, where no rate change is expected on Wednesday, but markets expect a strong sign that a rate cut is coming on September 18, which is fully priced in. Another cut is almost fully priced for November 7.

Commodities

Oil prices declined for a third week as traders search for a new catalyst. An impressive run of inventory drawdowns, which helped drive prices higher in late June, have not been enough to counteract concerns around Chinese demand. The same sentiment has driven copper prices down -20% since late May and -11% over the past two weeks. The gold rally cooled as yields settled into a new range.

Economic overview

The economy maintained strong positive momentum in Q2 as real GDP grew 2.8% q/q, far faster than the expected 2.0% pace. Details showed solid consumption including a bounce in durable goods spending, the 11th consecutive quarter of business investment growth, and government spending that added 0.5% to headline GDP. The core PCE deflator rose 0.1% in June, and 0.2% excluding food and energy. This mild report reiterated the tone set by CPI two weeks ago. The gloomy corner of the economy continues to be the housing market, where existing home sales fell more than expected to 3.89 million units while median home prices hit a new record high. New home sales unexpectedly slid -0.6% to 617,000, the lowest of the year.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	5,459.10	-0.03%	-0.03%	14.45%	24.23%
DJIA	40,589.34	3.76%	3.76%	7.69%	13.70%
NASDAQ	17,357.88	-2.11%	-2.11%	15.63%	43.42%
Russell 2000	2,260.07	10.37%	10.37%	11.49%	15.09%
MSCI World	3,524.08	0.35%	0.35%	11.20%	21.77%
MSCI Europe	2,123.94	1.36%	1.36%	5.12%	16.68%
MSCI EAFE	2,337.59	0.99%	0.99%	4.54%	15.03%
MSCI Asia	178.78	-0.96%	-0.96%	5.54%	8.76%
MSCI EM	1,072.28	-1.29%	-1.29%	4.74%	7.04%
VIX	16.39	3.95	3.95	3.94	-9.22

Fixed income (total return index)		MTD	QTD	YTD	2023
Barclays U.S. Agg	2,178.46	1.48%	1.48%	0.76%	5.53%
Inv. grade bonds	3,254.06	1.52%	1.52%	1.02%	8.52%
High yield bonds	2,586.92	1.69%	1.69%	4.31%	13.45%
Leveraged Loans	3,914.18	0.61%	0.61%	4.99%	13.32%

Alternatives (total return index)		MTD	QTD	YTD	2023
FTSE NAREIT	24,852.34	6.21%	6.21%	3.88%	11.36%
REIT Index					
GS Commodity Index	549.28	-5.03%	-5.03%	2.55%	-12.20%
Alerian MLP Index	2,237.23	0.76%	0.76%	18.60%	26.56%

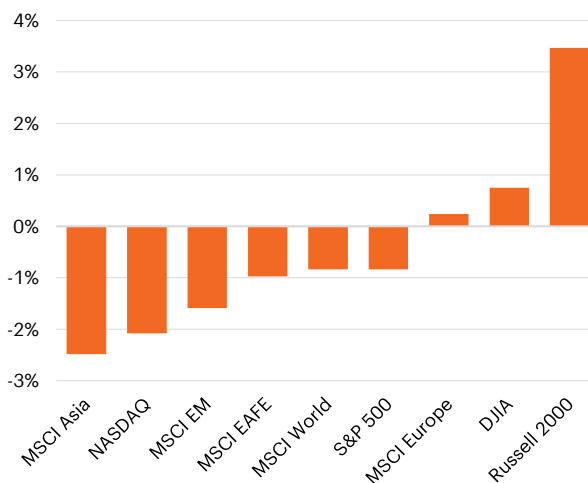
Commodities		MTD	QTD	YTD	2023
WTI Crude	\$77.16	-5.37%	-5.37%	7.69%	-10.73%
Brent Crude	\$81.13	-6.11%	-6.11%	5.31%	-10.32%
Natural Gas	\$2.01	-22.88%	-22.88%	-20.21%	-43.82%
Gold	\$2,381	1.77%	1.77%	14.92%	13.45%

Currency		MTD	QTD	YTD	2023
Dollar Index (DXY)	104.32	-1.46%	-1.46%	2.94%	-2.11%
USDCNY	7.25	-0.23%	-0.23%	2.12%	2.92%
Bitcoin	67,449	12.19%	12.19%	58.67%	157.01%

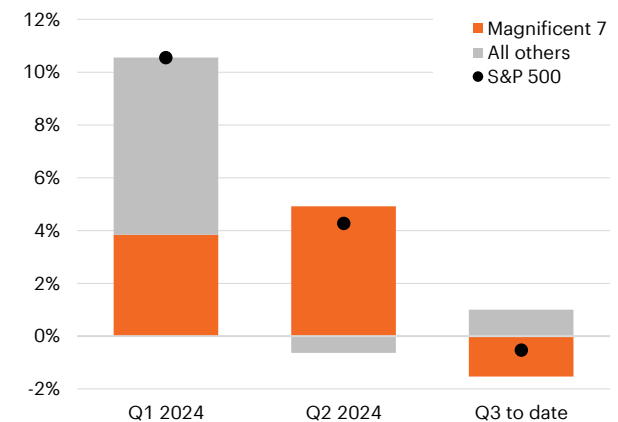
Spreads		MTD	QTD	YTD	2023
Inv. grade bonds	93 bps	-1 bps	-1 bps	-6 bps	-31 bps
High yield bonds	306 bps	-3 bps	-3 bps	-17 bps	-146 bps
Leveraged loans	429 bps	-1 bps	-1 bps	-30 bps	-101 bps
Emerging markets	267 bps	5 bps	5 bps	-30 bps	-42 bps

Interest rates		MTD	QTD	YTD	2023
Fed Funds Target	5.325%	5.325%	5.325%	5.325%	4.38%
SOFR	5.35%	2 bps	2 bps	-3 bps	108 bps
3-month LIBOR*	5.53%	-6 bps	-6 bps	-7 bps	83 bps
2-year Treasury	4.38%	-37 bps	-37 bps	13 bps	-18 bps
10-year Treasury	4.19%	-20 bps	-20 bps	31 bps	0 bps
30-year Treasury	4.45%	-11 bps	-11 bps	42 bps	7 bps
Barclays U.S. Agg	4.77%	-23 bps	-23 bps	23 bps	-15 bps
Inv. grade bonds	5.26%	-22 bps	-22 bps	20 bps	-36 bps
High yield bonds	7.63%	-28 bps	-28 bps	4 bps	-137 bps

Last week's equity returns



Contribution to S&P 500 returns



Source: Bloomberg Finance, L.P., as of 12:00pm on July 26, 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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