Weekly Market Commentary
July 8, 2024

The Markets

Despite some volatility, stock markets have been buoyant in 2024.

Enthusiasm for artificial intelligence (AI), optimism about inflation, and expectations that the United States Federal Reserve (Fed) will begin to lower rates this year have helped global and U.S. stock markets, overall, push higher in 2024. Share prices increased more slowly in the second quarter, though. Here's what happened:

- **Off to a rocky start**. Overall, stocks declined in April after inflation numbers came in higher than economists had expected. That sparked concern the Fed might leave rates higher for longer than many investors hoped.

  "Markets had expected the Fed to start cutting interest rates in June with three reductions in total expected this year, but that shifted dramatically following the release [of the Consumer Price Index]," reported Jeff Cox of CNBC. Markets now expect the first rate cut in September.

- **Bounding ahead**. U.S. stocks rallied in May and June as companies in the Standard & Poor's (S&P) 500 Index reported strong earnings growth for the first quarter of 2024. Overall, earnings, which represent companies' net profits, grew 6 percent, and 78 percent of S&P 500 companies were more profitable than analysts had expected, according to John Butters of FactSet.

  Investor optimism also was bolstered by May inflation data that showed inflation was headed in the right direction – lower. Sarah Hansen of Morningstar reported, "Bond markets recovered in the second quarter, boosted by improving inflation and a firmer, more confident outlook for rate cuts."

- **Inspired by AI**. Most of the top performing stocks in the S&P 500, to-date, have been technology companies, which are reaping the benefits of strong corporate spending on AI, reported Iuri Struta of S&P Global Market Intelligence in late June. However, technology companies may not deliver the results share price valuations suggest investors expect anytime soon. *The Economist* explained:

  "…for AI to fulfill its potential, firms everywhere need to buy the technology, shape it to their needs and become more productive as a result. Investors have added more than $2trn to the market value of the five big tech firms in the past year—in effect projecting an extra $300bn-400bn in annual revenues according to our rough estimates…For now, though, the tech titans are miles from such results."

- **Looking for the way down.** The Fed anticipates zero to two rate cuts this year. While many central banks around the world already have begun lowering rates, the Fed has yet to act. Last week's employment report suggested the economy might be losing steam, and that could lead to the first Fed rate cut. The report indicated employers added more jobs than expected, but fewer than were added in the previous month.

  "The path toward a rate cut in September is far from certain, but Friday's data provide more evidence that the U.S. labor market is losing steam…It's worth remembering that the other half of the Fed's dual mandate is maximum employment, and weakening labor conditions have certainly prompted central banks to cut rates in the past," reported Megan Leonhardt of *Barron's*.

- **It's not what you think!** In May, a Harris poll for *The Guardian* found that a lot of Americans share some incorrect beliefs about stock markets and the economy. Poll participants said: (1) the S&P 500 Index was down for the year (49 percent); (2) the United States is in a recession (55 percent); and (3) unemployment is at a 50-year high (49 percent). All of these statements are incorrect.

  - The S&P 500 is up more than 16 percent year to date and has chalked up 34 record-high closes so far this year.

  - The U.S. economy is growing. The last U.S. recession was in 2020, during the pandemic.

  - Unemployment is low – near a 50-year low for much of 2024 to date.

  While inflation has fallen sharply, it affects economic well-being and opinions about the state of the economy. "[A majority of] respondents agreed 'it's difficult to be happy about positive economic news when I feel financially squeezed each month,'" reported Lauren Aratani of The Guardian.

Last week, major U.S. stock market indices moved higher. Yields on intermediate and longer maturities of U.S. Treasury bonds moved lower over the week.

Data as of 7/5/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	2.0%	16.7%	25.2%	8.6%	13.2%	10.9%
Dow Jones Global ex-U.S. Index	1.9	5.8	10.8	-1.9	3.4	1.6
10-year Treasury Note (yield only)	4.4	N/A	4.0	1.4	2.1	2.6
Gold (per ounce)	2.1	14.5	24.6	9.5	11.2	6.1
Bloomberg Commodity Index	1.5	3.9	0.5	3.4	5.3	-2.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HOW DO YOU MEASURE WEALTH? When sorting countries into “rich” and “poor” categories, economists often look at gross domestic product or GDP, which measures the amount of goods and services a country produces over a specific period of time. Using this measure, the United States is at the top of the heap with China in second place.

There are other ways to measure a country’s wealth, too. These include:

- Income per person (in U.S. dollars),
- Income per person, adjusted for local prices (aka purchasing power parity), and
- Income adjusted for prices and hours worked.

The United States is not the world’s leader by any of these measures, according to calculations completed by *The Economist*. Here’s how the U.S. placed:

- Income per person (in U.S. dollars): 6th
- Income per person, adjusted for local prices: 9th
- Income adjusted for prices and hours worked: 10th

China’s standing also was much lower when these measures were used. It ranked 69th in income per person, 75th when income per person was adjusted for local prices, and 97th when price-adjusted income was measured by hours worked.

So, who were the economic leaders?

Luxembourg took the gold in income per person (in U.S. dollars) and income per person adjusted for prices. When income was adjusted for prices and hours worked, Norway was the world leader.

Weekly Focus – Think About It
“The power of youth is the common wealth for the entire world. The faces of young people are the faces of our past, our present and our future. No segment in the society can match with the power, idealism, enthusiasm and courage of the young people.”

—*Kailash Satyarthi, Nobel Peace Prize recipient*

Best Regards,

Victor Levy for Levy Wealth Management Group

Levy | WEALTH MANAGEMENT GROUP
1818 Market St | Suite 3232 | Philadelphia, PA 19103
Main: 215-875-8720 | Fax: 215-875-8756
vlevy@levywealth.com
www.levywealth.com
Click here to send me a secure file

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

* To unsubscribe please reply to this email with "Unsubscribe" in the subject line.

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