U.S. Market & Economic Commentary

The Markets
Equity markets experienced a rotation in July, with small caps and value stocks pushing most markets higher. Bonds also recorded gains driven by softer inflation data.

Market Indices	July 2024	Year-to-Date
Dow Jones Industrial Average	4.4%	9.5%
S&P 500 Index	1.1%	16.7%
NASDAQ Composite	-0.8%	17.7%
MSCI World Index	1.7%	14.0%
Bloomberg US Aggregate Bond Index	2.3%	1.6%
Bloomberg Global Aggregate Bond Index	1.9%	2.1%

The Economy
The US economy continued to exhibit mixed signals through July. On the positive side, the second estimate for Q2 GDP improved to 3.0 percent from 2.8 percent, led by consumer spending that has avoided a decline for over 18 months. Consumer spending grew by 0.5 percent over the prior month, while Core Retail Sales followed suit with growth of 0.4 percent.

Conversely, the labor market continues to show signs of weakening as the year progresses. The US economy added only 89k jobs in July, the lowest amount since January 2021 and less than half the revised 179k added in June. The unemployment rate also continued to rise, reaching 4.3 percent from 4.1 percent in the prior month alongside a 3 percent decline in the number of jobs outstanding (the number of jobs available has declined in five out of the past six months). Moreover, wage growth continues to slow and fell to 3.6 percent year-over-year from 3.8 percent in June.

Regarding inflation, consumer price trends continued to normalize toward acceptable levels in July. The Consumer Price Index (CPI) fell to 2.9 percent year-over-year from 3.0 percent in the prior month, led by declines in energy prices. The Core CPI (which strips out volatile components such as food and energy) also declined, falling to 3.2 percent from 3.3 percent. Although consumer price growth has slowed overall, elevated housings costs appear to be the primary element thwarting a steeper decline. The Producer Price Index (PPI) showed more significant declines, dropping to 2.1 percent year-over-year from 2.6 percent (the Core PPI also fell 2.3 percent from 3.0 percent). While the US Federal Reserve held rates at current levels during the July meeting, the group's communication on future interest rates suggested that rate cuts could occur as early as September given the noticeable decline in inflation.

As for the housing sector, the anticipation of lower interest rates has trickled into borrowing costs as the MBA 30-year mortgage rate declined for the third consecutive month, falling to 6.82 percent after rising above 7.00 percent in Q1 2024. Sales of residential homes ticked up in July, with existing home sales rising by 1.3 percent and new home sales increasing by 10.6 percent. However, both Housing Starts and Building Permits were weaker in July, fading by 6.8 percent and 3.3 percent, respectively.