Weekly Market Report

Friday, July 26th 2024

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	0.800%	8.800%
NASDAQ	-2.100%	16.100%
S&P	-0.800%	15.300%
FTSE	0.600%	7.800%
APAC EX JAPAN	-1.000%	7.400%
AGG	0.280%	0.880%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Energy	-2.000%	12.000%
Utilities	1.500%	14.300%
Consumer Staples	0.600%	12.000%
Materials	1.400%	7.700%
Real Estate	0.000%	3.500%
Health Care	1.400%	10.900%
Industrials	1.200%	11.600%
Financials	1.300%	16.300%
Consumer Discretionary	-2.300%	4.600%
Information Technology	-2.400%	23.900%
Communication Services	-3.800%	18.800%

Market Summary

Equities:

Equity markets continued to diverge aggressively last week. On a sector level, communication services shed 3.8%, the largest among its peers, while utilities saw a 1.5% increase as rate pressures subsided. The VIX, or the volatility index, rose to $16.40, remaining elevated from the previous week. Finally, on an index level, the Dow Jones increased by 0.8%, while the NASDAQ Composite shed 2.1%.

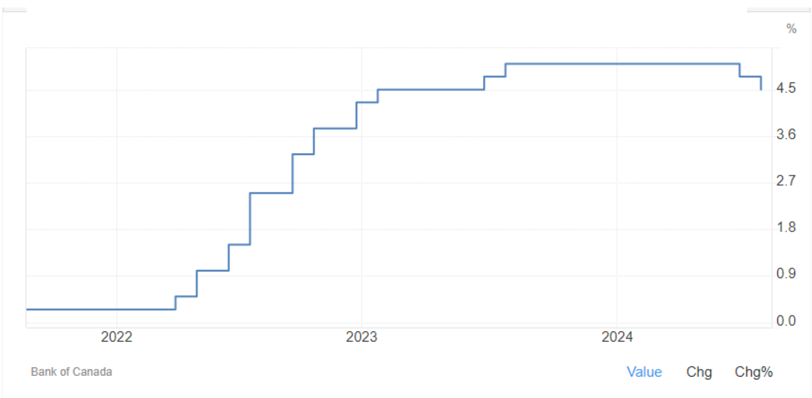
Fixed Income:

In fixed income markets, a reduction in yields remained the story. The US 2 year is now at 4.39%, marking a 60bps drop from yearly highs around 5%. The US 10 year sits at 4.2% which is now only 19bps of spread difference between the two key indicators and marking the first time YTD that the spread has been this tight. US high yield spreads remained sharp at 308bps as credit concerns are not a concern currently. Finally, the AGG index gained .28% w/w, remaining positive for the year.

Economy

In the past week, the economic landscape has seen several significant developments, highlighting both areas of concern and sources of optimism across major economies. Here's a detailed summary of the key economic indicators and their implications. In the United States, existing home sales experienced a notable decline, dropping by 5.4% month-over-month. This decrease suggests a cooling housing market, potentially influenced by rising mortgage rates and affordability challenges. Despite this, the broader economic picture remains robust. The advance estimate of Q2 GDP growth came in at 2.8%, a significant acceleration from the 1.4% growth seen in Q1. This growth was primarily driven by a faster pace of consumer spending, which rose by 2.3%, surpassing the 1.5% estimates. Core Personal Consumption Expenditures (PCE), a key inflation measure, hovered at 2.9% for the quarter, indicating that inflationary pressures are being monitored closely by policymakers. Additionally, the monthly core PCE figures for June reported a 0.2% month-over-month increase, aligning with expectations and suggesting stable inflation dynamics. However, personal income rose by only 0.2% month-over-month, slightly below the anticipated 0.3%, which could signal potential constraints on future consumer spending if wage growth does not keep pace with inflation. Turning to Europe, Germany's manufacturing sector continues to struggle, with the Manufacturing Purchasing Managers' Index (PMI) falling to 42.6. This figure is firmly in contractionary territory, reflecting ongoing challenges such as supply chain disruptions, rising energy costs, and weakening global demand. The persistent contraction in Germany's manufacturing sector, a crucial component of the Eurozone's largest economy, raises concerns about the broader economic health of the region. In North America, the Bank of Canada has once again reduced its interest rates by 0.25%, bringing the benchmark rate down to 4.5%. This move is part of ongoing efforts to stimulate economic growth amid global uncertainties. The rate cut aims to support borrowing and investment, though it also reflects underlying concerns about economic momentum and inflationary pressures. Overall, the global economic outlook presents a mixed picture. While the US economy shows resilience with strong consumer spending and GDP growth, challenges in the housing market and slower-than-expected income growth warrant caution. Meanwhile, Germany's manufacturing downturn highlights the vulnerabilities in the European industrial sector, and Canada's rate cut underscores the delicate balancing act faced by central banks in nurturing growth without exacerbating inflation. As these dynamics evolve, policymakers and investors will need to remain vigilant in navigating the complexities of the current economic environment.

Canadian Key Terminal Rate



Canada Cements Their Rate Cutting Cycle

- Canada is the first major G7 country to cut their terminal rate twice in this global rate cutting cycle.
- Released in the most recent BOC report were warning signs that growth across the largest economy in Canada began to slow in the most recent quarter.

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S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.

***NASDAQ Composite Index**: The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market*

Citations

Graph: https://fred.stlouisfed.org/series/QBPBSTAS
Data with write up: Trading Economics for Macroeconomic figures
Yahoo Finance for index pricing
Thompson Rueters

MoM: Month over month
YoY: Year over year
FED: US Federal reserve
QoQ: Quarter over quarter
FOMC: Federal Open Market Committee
PCE: Personal Consumption Expenditure
FOMC: Federal Open Market Committee