



WEEK OF JUNE 17, 2024

Market Update

Apple continued to rally following its Worldwide Developer Conference; the company unveiled new AI software updates that are expected to drive a stronger iPhone upgrade cycle. Treasuries rallied sharply on the back of softer inflation.

Quick Hits

- 1. Report releases:** Producer and consumer price growth slowed in May, which was a welcome sign for investors and the Federal Reserve (Fed).
- 2. Financial market data:** Apple continued to rally after its Worldwide Developer Conference.
- 3. Looking ahead:** We expect many releases this week, including retail sales, industrial production, and several pieces of housing data.

Report Releases: June 9–14, 2024

Consumer Price Index May (Wednesday)

Consumer inflation slowed on a monthly and year-over-year basis in May. Both headline and core consumer inflation came in below economist estimates.

- Prior monthly CPI/core CPI growth: +0.3%/+0.3%
- Expected monthly CPI/core CPI growth: +0.1%/+0.3%
- Actual monthly CPI/core CPI growth: +0.0%/+0.2%
- Prior year-over-year CPI/core CPI growth: +3.4%/+3.6%
- Expected year-over-year CPI/core CPI growth: +3.4%/+3.5%
- Actual year-over-year CPI/core CPI growth: +3.3%/+3.4%



Federal Open Market Committee (FOMC) Rate Decision June (Wednesday)

As widely expected by investors and economists, the Fed left the federal funds rate unchanged at the conclusion of its June meeting.

- Expected/prior federal funds rate upper limit: 5.5%/5.5%
- Actual federal funds rate upper limit: 5.5%



Producer Price Index (PPI) May (Thursday)

The trade deficit widened less than expected, though the April deficit still marks the largest monthly deficit in more than a year.

- Prior monthly PPI/core PPI growth: +0.5%/+0.5%
- Expected monthly PPI/core PPI growth: +0.1%/+0.3%
- Actual monthly PPI/core PPI growth: -0.2%/+0.0%
- Prior year-over-year PPI/core PPI growth: +2.3%/+2.5%
- Expected year-over-year PPI/core PPI growth: +2.5%/+2.5%
- Actual year-over-year PPI/core PPI growth: +2.2%/+2.3%



Preliminary University of Michigan Consumer Sentiment Survey June (Friday)

Consumer sentiment fell more than expected in June due to declining consumer views on both current and expected economic conditions.

- Expected/prior month consumer sentiment survey: 72/69.1
- Actual consumer sentiment survey: 65.6



>> The Takeaway

- CPI and PPI reports were below expectations in May.
- The FOMC held rates steady for June despite softer-than-expected inflationary data on the morning of the rate announcement.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.62%	3.00%	14.63%	26.12%
Nasdaq Composite	3.37%	5.75%	18.25%	30.82%
DJIA	-0.51%	-0.19%	3.32%	15.89%
MSCI EAFE	-2.63%	-2.03%	4.89%	9.81%
MSCI Emerging Markets	0.50%	2.87%	6.38%	8.98%
Russell 2000	-0.95%	-3.00%	-0.40%	8.69%

Source: Bloomberg, as of June 14, 2024

Large-cap U.S. equities led the way yet again, with mega-cap technology names driving the market. Apple continued its tech rally beyond its Worldwide Developer Conference, where it debuted several AI updates. Oracle and Broadcom were also strongly up, rising more than 9.5 percent. Energy, financials, and consumer staples struggled, with falling inflation giving way to concerns about slower growth and lower rates, along with a greater appeal for bonds.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.76%	0.09%	3.70%
U.S. Treasury	1.75%	-0.14%	2.30%
U.S. Mortgages	2.06%	-0.10%	3.13%
Municipal Bond	1.77%	-0.17%	3.88%

Source: Bloomberg, as of June 14, 2024

The yield curve saw a major rally in the 5-year maturity and beyond. The 10-year Treasury yield fell 22 basis points (bps), closing at 4.21 percent, and the 30-year dropped 20 bps to 4.35 percent. Surprising softness in Wednesday's CPI report triggered the large move, which was further confirmed by a soft PPI report.

>> The Takeaway

- Apple, Nvidia, and the AI narrative continue to carry the market.
- Treasuries rallied sharply this week on softer inflation data.

Looking Ahead

Despite the midweek holiday, we expect plenty of economic data. Highlights will include retail sales, industrial production, and several pieces of housing data.

- The week kicks off on Tuesday with the release of **retail sales** and **industrial production data** for May. We expect retail sales to rise modestly after remaining unchanged in April. Industrial production is set to improve, due in part to rising capacity utilization.
- Wednesday will see the release of the **National Association of Home Builders Housing Market Index** for June. Home builder confidence is expected to remain unchanged, which would leave the index in contractionary territory for the second consecutive month.
- Finally, on Friday, **existing home sales** for May will be released. Sales are set to fall for the third consecutive month.





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companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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