



WEEK OF JUNE 3, 2024

# Market Update

Software stocks were hit hard; Salesforce showed signs of a slowing economy and less software spending from its customers. AI infrastructure firms such as Nvidia continued to move higher.

## Quick Hits

- 1. Report releases:** Personal income and spending growth slowed in April.
- 2. Financial market data:** Software stocks tumbled as companies tightened budgets.
- 3. Looking ahead:** This week, the focus will be on the May employment report.

## Report Releases: May 28–31, 2024

### Conference Board Consumer Confidence Index May (Tuesday)

Consumer confidence surprisingly improved in May, breaking a three-month streak of declines. The improvement was largely driven by a notable rise in consumer expectations.

- Expected/prior month consumer confidence: 96/97.5
- Actual consumer confidence: 102



### Federal Reserve Beige Book (Wednesday)

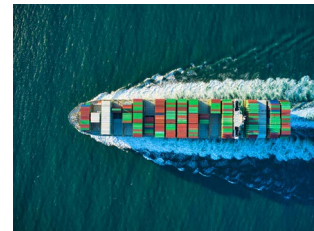
The Beige Book showed slight or modest growth for most of the 12 districts reporting, with 2 noting no change in activity. Overall outlooks were slightly more pessimistic amid reports of rising uncertainty and greater downside risks of tight credit standards and high interest rates, constraining growth.



### Second Estimate of GDP First Quarter (Thursday)

The second estimate of first-quarter GDP was in line with expectations. As part of the report, we received the Personal Consumption Expenditures Price Index (Core PCE) for the first quarter. The reading, which excludes food and energy, was slightly below expectations at 3.6 percent annualized, versus expectations of 3.7 percent.

- Expected/first-quarter GDP estimate: 1.3%/1.6%
- Actual second first-quarter GDP estimate: 1.3%



### Personal Spending and Personal Income April (Friday)

Personal income and spending continued to rise in April, though both slowed compared with the previous month.

- Expected/prior personal income monthly change: +0.3%/+0.5%
- Actual personal income change: +0.3%
- Expected/prior personal spending monthly change: +0.3%/+0.7%
- Actual personal spending change: +0.2%



## >> The Takeaway

- Consumer confidence was higher than expected as consumer expectations improved.
- Personal income and spending growth slowed in April.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.49%	4.96%	11.30%	28.19%
Nasdaq Composite	-1.09%	6.98%	11.82%	30.37%
DJIA	-0.88%	2.58%	3.52%	19.97%
MSCI EAFE	-0.05%	3.87%	7.07%	18.53%
MSCI Emerging Markets	-3.10%	0.56%	3.41%	12.39%
Russell 2000	0.04%	5.02%	2.68%	20.12%

Source: Bloomberg, as of May 31, 2024

U.S. equities were mostly lower. Energy, real estate, and utilities were among the top performing sectors. Underperformers included health care, communication services, industrials, and technology. Software stocks were a notable soft spot, with Salesforce, Intuit, ServiceNow, Paycom, and Workday each falling more than 12.9 percent. Salesforce cited a slowdown in the macroeconomic environment and corporate budgets as it just missed revenue estimates at \$9.13 billion versus expectations of \$9.17 billion, its first top line miss in 18 years.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.70%	-1.64%	1.31%
U.S. Treasury	1.46%	-1.85%	-0.22%
U.S. Mortgages	2.00%	-2.12%	0.50%
Municipal Bond	-0.29%	-1.91%	2.67%

Source: Bloomberg, as of May 31, 2024

The yield curve saw a slight steepening as consumer confidence rose and the second estimate of first-quarter GDP was in line. The 2-year yield fell 6 basis points (bps), closing the week at 4.89 percent. The 30-year rose 8 bps to close at 4.65 percent and the 10-year increased 5 bps to close at 4.51 percent.

### >> The Takeaway

- Software stocks receded as Salesforce missed sales estimates. Corporations appear to be tightening budgets on the software side.
- The yield curve steepened slightly as short-term yields fell and long-term yields rose.

## Looking Ahead

The focus this week will be on the May employment report, which is due Friday. We also expect Institute for Supply Management (ISM) and international trade balance reports.

- The week kicks off on Monday with the release of the **ISM Manufacturing index** for May. Manufacturer confidence is expected to improve modestly after falling more than expected in April.
- On Wednesday, we expect the release of the **ISM Services index** for May. Service sector confidence is expected to improve after falling into contractionary territory in April.
- The **international trade balance report** for April is expected on Thursday. It is set to increase, due in part to increased imports of goods.
- Finally, on Friday, the **employment report** for May will be released. Hiring is expected to accelerate after slowing more than expected in April. If estimates hold, the 180,000 jobs that are forecast would represent a healthy level of hiring.





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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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