

7/15/2024

The Week Ahead

THINGS TO WATCH

Dealmaking Activity

Second quarter results in the investment banking divisions of Goldman Sachs (GS) and Morgan Stanley (MS) will be front and center this week as investors gauge M&A and IPO momentum heading into 2H24. Capital markets activity has been inconsistent over the last two years amid a challenging regulatory and interest rate environment. In addition to GS and MS, other financial sector heavyweights scheduled to report quarterly results this week include Bank of America (BAC), US Bancorp (USB), Charles Schwab (SCHW), and American Express (AXP).

S&P 500 levels

The S&P 500 closed Friday (5,615.35) 2.1% above its 20-day moving average of 5,499 and 4.91% above its 50-day moving average of 5,351. These could be important support levels to watch in coming weeks as we move from the seasonally strong first half of July, through the bulk of earnings season over the next two weeks, and eventually into the historically choppy waters of August.

Yield Curve

The "bull-steepening" dynamic of recent weeks has seen shorter-term Treasury yields fall at faster pace than long-term yields. During this "de-inversion," or normalization, of the yield curve, the 2-year note yield declined from 4.97% on May 28 to 4.46% on July 12. Meanwhile, the 10-year yield fell from 4.61% to 4.19% over the same period.

Republican Convention

The GOP National Convention will be held today through Thursday in Milwaukee. The yet-to-be-declared Republican nominee for Vice President will give a speech Wednesday night. On Thursday night, Donald Trump is scheduled to officially accept the Republican party's nomination as presidential candidate and make a speech to conclude the convention. Of interest to investors will be what GOP heavyweights call out as priorities in the tax, tariff, immigration, and cryptocurrency policy realms.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	91.5	88.5	▲
Consumer Price Index (Y/Y)	3.0%	3.5%	▼
Core Consumer Price Index (Y/Y)	3.3%	3.8%	▼
Producer Price Index (Y/Y)	2.6%	1.9%	▲
U. of Mich. Consumer Sentiment	66.0	77.2	▼
U. of Mich. 1-year Inflation Expectations	2.9%	3.2%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	40000.90	1.61%	7.22%	18.86%
NASDAQ	18398.45	0.25%	23.04%	33.26%
S&P 500	5615.35	0.89%	18.61%	27.45%
MSCI EAFE	2367.59	1.86%	10.18%	14.99%
BB U.S. Aggregate	2174.64	0.83%	0.95%	4.19%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	5.33%	5.38%	5.38%
10-Year Treasury	4.19%	4.32%	3.86%

REPORTS DUE THIS WEEK	LATEST
Retail Sales (M/M)	0.1%
Building Permits (Millions Annualized)	1.40
Housing Starts (Millions Annualized)	1.28
Industrial Production (M/M)	0.7%
Continuing Jobless Claims (Thousands)	1,852

Total returns are as of 7/12/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

38

The number of all-time closing highs recorded by the S&P 500 thus far in 2024 through the end of last week. The pace of new highs for the index seven-and-half months into the year is similar to 2021 (43 new closing highs by 7/12/21) and 2013 (44 new closing highs by 7/12/13). From July 12 to the end of the year, the S&P 500 generated total returns of 11.1% and 9.4%, respectively, in 2013 and 2021.

4.45%

The small cap Russell 2000's outperformance versus the S&P 500 last Thursday, the largest daily spread in favor of the former since March 2020. A softer-than-expected June consumer price index release Thursday morning seemed to light a fire under small cap stocks as investors grew increasingly confident in forthcoming Fed rate cuts. Given their disproportionate reliance on external financing, smaller companies have seen their earnings and valuations suppressed in the "higher for longer" environment.

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