

Weekly Market Recap

The week in review

- Flash Mfg./Services PMI: 50.9/54.8
- Initial claims edged lower to 215K
- New home sales declined 4.7% m/m

The week ahead

- House price index
- Second est. 1Q24 GDP

Thought of the week

Last week, investors received relatively hawkish minutes of the latest FOMC meeting, raising concerns about potential further rate hikes. Additionally, an emerging divergence between the economic and inflation surprise indices prompted fears of stagflation. However, the broader context suggests that these concerns are unwarranted.

Addressing stagflation first, the chart of the week shows the economic surprise index has steadily declined over the past year, turning negative in May, and implying weaker-than-expected economic data. Conversely, the inflation surprise index has risen, reflecting hotter-than-anticipated inflation prints. While this might at first suggest stagflation, it is important to note that surprise indices measure against expectations. Despite recent growth data missing expectations, the actual figures remain robust. Notably, the Atlanta Fed's GDPNow model still projects a solid, above-trend 3.5% growth for 2Q24. Additionally, although inflation prints surprised to the upside in 1Q24, the April CPI report showed a welcome cooling in prices. Thus, current fears of stagflation appear exaggerated.

Regarding additional rate hikes, the FOMC minutes showed that some members were open to further increases if evolving inflation risks warranted. However, more recent FOMC member speeches and the softer April inflation report suggest a high bar for rate hikes, making them unlikely. Fed Governor Waller recently clarified that rate cuts are still possible by year-end if data continues to soften over the next three to five months. Therefore, rate cuts appear to be delayed but not canceled for this year.

Given this context—no anticipated rate hikes, potential rate cuts by year-end and solid economic and profit growth—markets are unlikely to experience a sustained sell-off.

Please see important disclosures on next page.

Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	5305	0.05	1.17	11.85	30.89	32.44
Dow Jones 30	39070	-2.30	-1.60	4.44	21.57	20.70
Russell 2000	5144	-1.21	-2.42	2.64	18.94	-3.11
Russell 1000 Growth	2302	0.96	2.71	14.43	39.64	39.14
Russell 1000 Value	1071	-1.40	-1.43	7.42	20.95	17.49
MSCI EAFE	2359	-0.84	1.48	7.50	16.74	11.76
MSCI EM	1083	-1.48	4.29	6.83	15.04	-10.60
NASDAQ	16921	1.42	3.42	13.05	36.59	26.81

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	5.11	-0.28	-0.91	-1.68	2.05	-8.87
U.S. Corporates	5.54	-0.25	-0.81	-1.21	5.27	-7.69
Municipals (10yr)	3.60	-1.46	-2.15	-2.68	1.75	-3.19
High Yield	8.13	-0.21	0.16	1.64	11.61	5.71

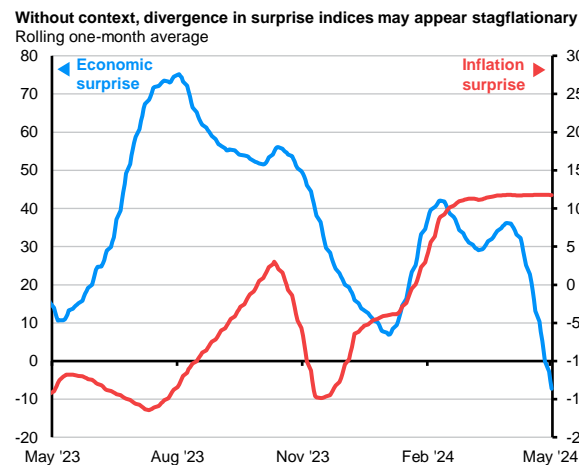
Key Rates	Levels (%)					
	5/24/24	5/17/24	3/29/24	12/29/23	5/24/23	5/24/21
2-yr U.S. Treasuries	4.93	4.83	4.59	4.23	4.31	0.15
10-yr U.S. Treasuries	4.46	4.42	4.20	3.88	3.73	1.61
30-yr U.S. Treasuries	4.57	4.56	4.34	4.03	3.97	2.31
10-yr German Bund	2.59	2.51	2.30	2.00	2.44	-0.13
SOFR	5.31	5.31	5.34	5.38	5.05	0.01
3-mo. EURIBOR	3.81	3.83	3.89	3.91	3.42	-0.54
6-mo. CD rate	2.36	2.33	2.33	2.23	1.95	0.16
30-yr fixed mortgage	7.01	7.01	6.91	6.76	6.69	3.18
Prime Rate	8.50	8.50	8.50	8.50	8.25	3.25

Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
20.63	4.54	1.32	44525	
18.00	4.83	1.81	13849	
22.47	1.90	1.32	2554	
27.37	11.77	0.66	26922	
15.61	2.43	2.12	21444	
14.22	1.84	2.78	16991	
12.40	1.64	2.30	7474	
27.43	6.17	0.70	27479	

Currencies	Levels		
	5/24/24	12/29/23	5/24/23
\$ per €	1.08	1.10	1.08
\$ per £	1.27	1.27	1.24
¥ per \$	156.98	140.98	139.00

Commod.	Levels		
	5/24/24	12/29/23	5/24/23
Oil (WTI)	76.86	71.89	74.37
Gasoline	3.58	3.12	3.53
Natural Gas	2.65	2.58	2.25
Gold	2343	2078	1970
Silver	30.59	23.79	23.42
Copper	10257	8476	7910
Corn	4.54	4.59	6.24
BBG Idx	246.33	226.43	223.52

Chart of the Week



Style Returns

	V	B	G
L	-1.4	0.0	1.0
M	-1.1	-1.0	-0.8
S	-2.2	-1.2	-0.2
	V	B	G
L	7.4	11.8	14.4
M	6.3	6.4	6.6
S	0.4	2.6	5.0

S&P 500 Sector Returns

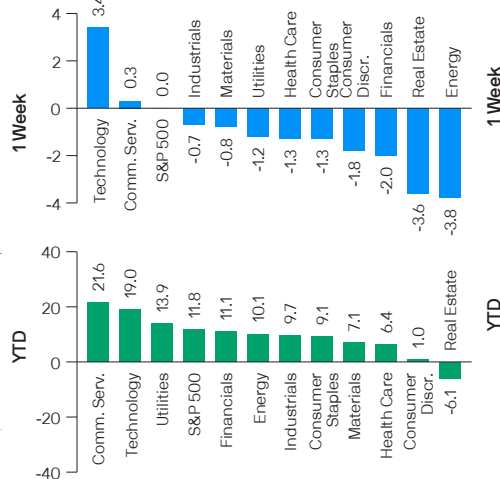




Chart of the Week: Source: Citi, FactSet, J.P. Morgan Asset Management. The data is smoothened out using one-month rolling average and the data for inflation surprise index is linearly interpolated between months.

Thought of the week: Source: Citi, FactSet, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by

Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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