Financial Concepts Unlimited, Inc.

202 E. Water St
P.O. Box 57
Centreville, MD 21617
Phone: (866) 444-5122
Fax: (301) 315-6343
http://www.fcuinc.com

John R. Taylor, Jr.
President & CEO

Quarterly Market Review: April-June 2024

The Markets (as of market close July 31, 2024)

Wall Street got off to a slow start to begin the second quarter of 2024. Stocks lagged for much of April, rebounded in May, and were choppy in June. Investors spent the quarter watching economic data, trying to gauge whether the Federal Reserve might lower interest rates. In April, investors were discouraged by the unexpected rise in inflation, which dampened hopes of several interest rate decreases during the year.

However, the latest economic data gave some indication that inflationary pressures may be scaling back. The personal consumption expenditures (PCE) price index for May rose at its slowest pace since March 2021. Nevertheless, lowering price pressures has been a slow process and inflation could push higher again. In response, the Federal Reserve has remained cautious in its assessment of inflation going forward and will look for more concrete data confirming downward price pressures before loosening its restrictive monetary policy.

Several indexes reached new records throughout the quarter. The S&P 500 and the Nasdaq closed out the quarter at new highs, marking the 32nd record close of the year for the S&P 500 and the 21st for the Nasdaq. Among the market sectors, information technology outperformed, gaining 14.5% in the quarter, followed by communication services, and utilities. Materials, industrials, and real estate lagged. Rising bond yields weighed on prices, with the yield on 10-year Treasuries closing the quarter up nearly 15.0 basis points from the end of the first quarter, while the yield on the 2-year note ended the quarter about where it began.

June proved to be a month full of ups and downs for stocks. The month began with each of the benchmark indexes listed here posting gains (with the exception of the Russell 2000). A robust jobs report helped alleviate concerns about an economic slowdown, although it bolstered the Fed's hawkish stance. Through the middle of June, tech stocks, particularly AI holdings, carried the market. Unfortunately, the rally came to a halt at the end of the month. Nevertheless, stocks closed June higher than it began, with several of the benchmark indexes closing in the black, with the exception of the Russell 2000 and the Global Dow, which closed the month lower. Most of the market sectors outperformed, with information technology and consumer discretionary leading the way. Utilities, materials, and energy were the only sectors to close in the red.

Stocks closed mostly higher in July. Tech shares, including AI stocks, which had been a bellwether for much of the year, retreated in July, dragging the Nasdaq to its worst July performance since 2014. The remaining indexes fared better, with the Russell 2000 enjoying its best month since December 2023 and its best July since 2022. The Dow also had its best month of the year. Most of the market sectors advanced in July, with the notable exceptions of communication services (-4.5%) and information technology (-2.4%) Real estate (7.5%), financials (6.0%), and utilities (5.9%) outpaced the remaining sectors.

Growth of the U.S. economy continued at a modest pace, despite the Fed's restrictive monetary policy. The gross domestic product (GDP) exceeded expectations after increasing 2.8% in the second quarter, following a 1.4% increase in the first quarter (see below). Consumer spending, the largest contributor in the calculation of GDP, rose 2.8%, with spending rising in durable goods, nondurable goods, and services. Private investments, another key component of GDP, also increased. Consumer confidence (see below) grew in July after trending lower in May.

Nearing the midpoint of Q2 corporate earnings season, S&P 500 companies are reporting mixed results. About 41% of the S&P 500 companies have reported results. Of those companies, 78% reported earnings per share (EPS) above estimates, which is in line with the five-year average of 77% and higher than the 10-year average of 74%. Overall, as of July 26, the index reported an earnings growth rate of 9.8%, which is above the 8.9% growth rate for the three months ended in June. Eight of the 11 sectors are reporting year-over-year growth, with four of these eight sectors reporting double-digit growth: communication services, information technology, financials, and health care. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Materials sector.

Sales of both existing homes and new homes declined in July (see below). Higher mortgage rates have slowed sales, with inventory expanding and the sales process lengthening. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.77% as of July 18. That's down from 6.89% one week ago and 6.78% one year ago.

Stock Market Indexes

Market/Index	2023 Close	Prior Month	As of July 31	Monthly Change	YTD Change
DJIA	37,689.54	39,118.86	40,842.79	4.41%	8.37%
NASDAQ	15,011.35	17,732.60	17,599.40	-0.75%	17.24%
S&P 500	4,769.83	5,460.48	5,522.30	1.13%	15.78%
Russell 2000	2,027.07	2,047.69	2,254.48	10.10%	11.22%
Global Dow	4,355.28	4,677.14	4,811.50	2.87%	10.48%
Fed. Funds	5.25%-5.50%	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps
10-yr Treasuries	3.86%	4.34%	4.10%	-24 bps	24 bps
US Dollar-DXY	101.39	105.88	104.09	-1.69%	2.66%
Crude Oil-CL=F	$71.30	$81.51	$78.53	-3.66%	10.14%
Gold-GC=F	$2,072.50	$2,335.00	$2,494.20	6.82%	20.35%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Latest Economic Reports

• **Employment:** June jobs data came in above expectations. Total employment increased by 206,000 in June, similar to the average monthly gain of 220,000 over the prior 12 months. The June increase followed downward revisions in both April and May, which totaled 111,000. In June, job gains occurred in government, health care, social assistance, and construction. In June, the unemployment rate increased 0.1 percentage point to 4.0% and was 0.3 percentage point above the rate from a year earlier (3.7%).

The number of unemployed persons was relatively unchanged at 6.6 million. In June, the number of long-term unemployed (those jobless for 27 weeks or more), at 1.5 million, rose by 166,000 and accounted for 22.2% of all unemployed people. The labor force participation rate, at 62.6%, was 0.1 percentage point above the prior month's estimate, while the employment-population ratio, at 60.1%, was unchanged from the previous month. In June, average hourly earnings increased by $0.10, or 0.3%, to $35.00. Since June 2023, average hourly earnings rose by 3.9%, which is down from the May figure of 4.1%. The average workweek was unchanged at 34.3 hours in June for the third straight month.

• There were 235,000 initial claims for unemployment insurance for the week ended July 20, 2024. During the same period, the total number of workers receiving unemployment insurance was 1,851,000. A year ago, there were 231,000 initial claims, while the total number of workers receiving unemployment insurance was 1,765,000.

• **FOMC/interest rates:** The Federal Open Market Committee met at the end of July. Following that meeting, the Committee kept interest rates at their current levels. However, the meeting statement indicated that, although economic activity continued to expand at a solid pace, job gains had moderated, and the unemployment rate had moved up but remained low. In addition, inflation had eased but remained somewhat elevated. The FOMC noted that while some further progress had been made toward achieving the Committee's 2.0% target, they are still looking for further evidence that inflation is moving sustainably toward 2.0%. Nevertheless, it appears that, unless inflationary pressures spike, the Committee is likely to consider reducing interest rates following its September meeting.

• **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 2.8% in the second quarter of 2024, according to the initial estimate from the Bureau of Economic Analysis. GDP increased 1.4% in the first quarter. While the second-quarter estimate is based on incomplete data, it, nevertheless, rose by more than expected. Personal consumption expenditures rose 2.3% in the second quarter compared to a 1.5% increase in the previous quarter. Consumer spending on goods increased 2.5%, while spending on services rose 2.2%. Gross domestic investment advanced 8.4% in the second quarter, well above the 4.4% increase in the first quarter. Nonresidential (business) fixed investment advanced 5.2% in the second quarter (4.4% in the first quarter), while residential fixed investment decreased 1.4% compared to a 16.0% increase in the first quarter. Exports climbed 2.0%, while imports, which are a negative in the calculation of GDP, increased 6.9%. Consumer prices rose 2.6% in the second quarter, compared with an increase of 3.4% in the previous quarter. Excluding food and energy prices, the PCE price index increased 2.9% compared with an increase of 3.7% in the first quarter.

• The federal budget deficit in June was $66.0 billion following May's surplus of $347.0 billion. In June, government receipts totaled $466.0 billion, while government outlays were $532.0 billion. Through the first nine months of fiscal year 2024, the total deficit sits at $1,268.0 trillion, which is roughly $125.0 billion lower than the deficit through the first nine months of the previous fiscal year.

• Inflation/consumer spending: Personal income increased 0.2% in June (0.4% in May). Disposable personal income (less taxes) also rose 0.2% (0.4% in May). Personal spending, as measured by personal consumption expenditures, rose 0.3% in June (0.4% in May). The PCE price index, a measure of inflation, increased 0.1% in June after registering no gain in May. Excluding food and energy, the PCE price index increased 0.2% (0.1% in May). From a year ago, the PCE price index rose 2.5% (0.1% less than the May estimate) and 2.6% when excluding food and energy.

• The Consumer Price Index (CPI) declined 0.1% in June after being unchanged in May. Over the 12 months ended in June, the CPI rose 3.0%, down 0.3 percentage point from the 12-month period ended in May. Excluding food and energy, the CPI rose 0.1% in June, (0.2% in May), and 3.3% from June 2023, which is the smallest 12-month increase since April 2021. In June, prices for food rose 0.2% (2.2% for the year), while prices for shelter increased 0.2% (the smallest monthly increase since August 2021) and 5.2% over the past 12 months, which is the lowest year-over-year increase since the period ended in April 2022. Energy prices declined 2.0% in June, while gasoline prices decreased 3.8%. The Fed should pay particular attention to the decline in shelter costs, which compose about one-third of the CPI basket of goods and services.

• While prices paid by consumers may have moderated in June, prices that producers received for goods and services increased 0.2% in June after being unchanged in May. The June increase was attributable to a 0.6% jump in prices for services. Prices for goods fell 0.5% in June after declining 0.8% in May. Nearly all of the June increase in prices for services was attributable to a 1.9% increase in margins for trade services, which measure changes in margins received by wholesalers and retailers.

Prices for gasoline declined 5.8% in June. Over the last 12 months, producer prices have increased 2.6%, up from 2.4% for the 12 months ended in May. Excluding food and energy, producer prices increased 3.0% for the year ended in June, which is the highest 12-month increase since April 2023.

• Housing: Sales of existing homes fell 5.4% in June and 5.4% over the last 12 months. According to the National Association of Realtors® (NAR), the market for existing homes is slowly shifting from a seller's market to a buyer's market. The pace of sales is waning slightly and sellers are receiving fewer offers. Inventory is rising on a national basis. Unsold inventory of existing homes in June represented a 4.1-month supply at the current sales pace, up from 3.7 months in May.

The median existing-home price was at an all-time high of $426,900 in June, up from the May estimate of $417,200, and 4.1% above the June 2023 price of $410,100. Sales of existing single-family homes decreased 5.1% in June and 4.3% from the prior year. The median existing single-family home price was $432,700 in June, up from $422,400 in May and well above the June 2023 estimate of $415,700.

• New single-family home sales also declined in June, falling 0.6% below the May estimate and 7.4% under the June 2023 rate. The median sales price of new single-family houses sold in June was $417,300 ($407,100 in May). The June average sales price was $487,200 ($504,500 in May). The inventory of new single-family homes for sale in June represented a supply of 9.3 months at the current sales pace, up from 9.1 months in May.

• Manufacturing: Industrial production rose 0.6% in June, following a 0.9% advance in May. Manufacturing output increased 0.4% in June after climbing 1.0% in May. Mining increased 0.3% in June, while utilities advanced 2.8%. For the 12 months ended in June, total industrial production advanced 1.6% from its year-earlier level. Over the same period, manufacturing increased 1.1%, mining decreased 0.6%, while utilities increased 7.9%.

• New orders for durable goods declined 6.6% in June, following four consecutive monthly increases. Excluding transportation, new orders increased 0.5% in June. Excluding defense, new orders fell 7.0%. Transportation equipment, down 20.5%, drove the overall decrease in new orders. Cancellations of new orders for private aircraft largely contributed to the drop in transportation equipment. In fact, new orders for nondefense aircraft and parts fell 127.2% in June.

• Imports and exports: U.S. import prices were unchanged in June after decreasing 0.2% in May. Lower import fuel prices (-1.0%) in June offset higher nonfuel prices (0.2%). Import prices advanced 1.6% over the last 12 months, the largest 12-month increase since December 2022. Export prices decreased 0.5% in June after declining 0.7% the previous month. The June and May drops were the first one-month decreases since December 2023. Lower prices for nonagricultural exports in both months more than offset higher agricultural prices. Despite the recent declines, prices for exports advanced 0.7% over the past 12 months.

• The international trade in goods deficit was $96.8 billion in June, down $2.5 billion, or 2.5%, from May. Exports of goods were $172.3 billion in June, $4.3 billion, or 2.5%, more than in May. Imports of goods were $269.2 billion in June, $1.7 billion, or 0.7%, above the May estimate. Since June 2023, exports increased 5.7%, while imports increased 6.9%.

• The latest information on international trade in goods and services, released July 3, is for May and revealed that the goods and services trade deficit was $75.1 billion, up $0.6 billion, or 0.8%, from the April deficit. May exports were $261.7 billion, 0.7% less than April exports. May imports were $336.7 billion, 0.3% below April's estimate. Year to date, the goods and services deficit increased $14.4 billion, or 4.2%, from the same period in 2023. Exports increased $42.8 billion, or 3.4%. Imports increased $57.2 billion, or 3.6%.

• International markets: Global inflation seems to be trending lower and some central banks are beginning to ease interest rate restrictions in response. The national banks of China and Canada cut interest rates in July, while there's an increasing likelihood that the Bank of England will follow suit in early August. On the other hand, the Bank of Japan raised its benchmark interest rate, but not in response to growing inflationary concerns. Instead, the decision to hike rates was due to concerns over the historically weak yen. Japanese officials are hopeful that raising interest rates could push up the yen and spur economic growth. For July, the STOXX Europe 600 Index rose 0.72%; the United Kingdom's FTSE gained 2.3%; Japan's Nikkei 225 Index fell 3.6%; and China's Shanghai Composite Index declined 1.5%.

• Consumer confidence: Consumer confidence rose in July to 100.3, from a downwardly revised 97.8 in June, according to the Conference Board Consumer Confidence Index®. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, decreased to 133.6 in June, down from 135.3 in the previous month. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, increased to 78.2 in July, up from 72.8 in June. The Expectations Index has been below 80 (the threshold which usually signals a recession ahead) for six consecutive months.

We hope this finds you having a wonderful summer with friends and family.

Warmest regards,

Financial Concepts Unlimited, Inc.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.