



Asheville, North Carolina

WEEK OF JULY 29, 2024

Market Update

Small-cap and value stocks outperformed amid weak Tesla and Alphabet earnings. Short- to intermediate-term Treasuries were bid up, as investors look to lock in higher yields ahead of a cut in September.

Quick Hits

- 1. Report releases:** Second quarter GDP growth came in above economist estimates, as growth accelerated during the quarter.
- 2. Financial market data:** Small-cap and value stocks outperformed amid weakness in Tesla and Alphabet earnings.
- 3. Looking ahead:** This will be a big week in terms of data and economic events, with both the Federal Reserve (Fed) decision and July report due out.



Report Releases: July 22–29, 2024

Existing Home Sales June (Tuesday)

The pace of existing home sales slowed more than expected in June, as high mortgage rates and rising prices weighed on home buyers.

- Expected/prior month existing home sales change: $-3.2\%/ -0.7\%$
- Actual existing home sales change: -5.4%



GDP Annualized Second Quarter Advance June (Tuesday)

Economic growth accelerated more than expected in the second quarter, due in part to better-than-expected personal consumption growth. This now marks eight consecutive quarters with solid economic growth.

- Expected/prior quarter GDP growth: $+2.0\%/ +1.4\%$
- Actual GDP growth: $+2.8\%$



Durable Goods Orders June (Thursday)

Headline durable goods orders came in below expectations, largely due to a slowdown in volatile non-defense aircraft orders. Alternatively, core orders showed a solid 0.5 percent rise, indicating solid business investment.

- Expected/prior durable goods orders monthly change: $+0.3\%/ +0.1\%$
- Actual durable goods orders change: -6.6%
- Expected/prior core durable goods orders monthly change: $+0.2\%/ -0.1\%$
- Actual core durable goods orders change: $+0.5\%$



Personal Spending and Personal Income June (Friday)

Personal income and spending both continued to improve, with income growth coming in slightly below expectations, while spending was in line with economist forecasts.

- Expected/prior personal income monthly change: $+0.4\%/ +0.4\%$
- Actual personal income change: $+0.2\%$
- Expected/prior personal spending monthly change: $+0.3\%/ +0.4\%$
- Actual personal spending change: $+0.3\%$



>> The Takeaway

- Existing home sales surprised to the downside in June.
- Second quarter GDP surprised to the upside.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.82%	0.05%	15.35%	21.33%
Nasdaq Composite	-2.08%	-2.10%	16.09%	23.87%
DJIA	0.77%	3.86%	8.84%	16.62%
MSCI EAFE	-0.95%	1.06%	6.89%	10.68%
MSCI Emerging Markets	-1.56%	-0.81%	6.74%	6.89%
Russell 2000	3.47%	10.42%	12.33%	15.82%

Source: Bloomberg, as of July 26, 2024

The recent rotation and broadening in equity performance continued this week. The Russell 2000 and Dow Jones Industrial Average led the way, as small-caps and value names rallied. Tech-oriented names continued to falter, as Tesla (TSLA) struggled amid auto margins and Alphabet (GOOG/GOOGL) struggled amid YouTube ad revenue. IBM (IBM) outperformed as it beat both sales and earnings expectations supported by its business tied to generative AI.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.21%	0.76%	3.89%
U.S. Treasury	1.09%	0.47%	2.89%
U.S. Mortgages	1.37%	0.74%	3.47%
Municipal Bond	0.86%	0.43%	3.34%

Source: Bloomberg, as of July 26, 2024

The belly of the curve caught a bid this past week, with the areas between the 2- and 5-year maturities among those of most interest to investors. The 5-year Treasury moved 8 basis points (bps) lower to close the week at 4.08. The 2-year yield dropped 13 bps to close at 4.39.

>> The Takeaway

- Small-caps continued their rally amid mega-cap earnings misses.
- Short-to-intermediate term Treasuries were bid up by investors as people look to lock in higher yields ahead of a cut in September.

Looking Ahead

This will be a big week in terms of data and economic events. The highlight of the week will be the Wednesday Federal Open Market Committee (FOMC) rate decision, which will have investors looking for confirmation of a September rate cut. Friday will wrap with the employment report for July.

- The week kicks off on Tuesday with the release of **consumer confidence**, which is expected to fall modestly in July for the second consecutive month.
- On Wednesday, we anticipate the release of the **FOMC rate decision**. The Fed is widely expected to keep interest rates unchanged at the conclusion of their July meeting; however, economists and investors will be keeping a close eye on Fed chair Jerome Powell's post-meeting press conference for hints about the future path of monetary policy.
- The **ISM Manufacturing Index** for July is expected on Thursday. Manufacturer confidence is expected to improve modestly in July after falling for the third consecutive month in June.
- Finally, the week wraps with the **employment report** for July. Hiring is expected to cool yet remain in healthy territory in July. The unemployment rate is set to remain unchanged at 4.1 percent during the month.





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