

June 2024

Demarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 6/30/2024

Global Overview

Equities closed out the first half of the year on a positive note following their May increase. This was fueled by a combination of U.S. mega cap names, and the commencement of the European Central Banks easing cycle. Despite hawkish remarks from the Fed last month, the S&P 500 rose in June by 3.6%. Although the Fed and Bank of England left rates unaltered, the ECB cut its deposit rate by 25 bps to 3.75%, and the Swiss National Bank lowered its main policy rate for the second consecutive meeting. This spurred an increase in the MSCI World Index, gaining 2.0% in June.

U.S. Markets & Economy

Domestic equities continued to make strides in June as the U.S. stock market finished the first half of 2024 on a positive note, despite general concern about the upcoming presidential election. The S&P 500, Dow, and NASDAQ indexes all rose over the month, and for the 31st time this year the S&P 500 reached a new all-time high. Despite these gains, the Conference Board Consumer Confidence Index fell to 100.4 in June, from 101.3 in May. Jobless claims rose to 242K throughout the month, but eventually fell back more in line with consensus expectations at 233k. Continuing claims rose to 1.84M, the highest since 2021. This increase in continuing claims suggests that despite jobless claims aligning with expectations, unemployed workers are struggling to find jobs. U.S. home owner sentiment continues to be challenged as 30-year mortgage rates of nearly 7% have affected demand. Single-family homes for sale rose to 481K in May, the highest level since 2008. ISM Manufacturing PMI continued its trend downward in June, falling to 48.5 from 48.7 in May, as there has been less willingness to invest in inventory and capital due to current monetary policy and other market conditions. May's Consumer Price Index for All Urban Consumers remained unchanged, while core CPI increased by 0.2%. Last month's hawkish comments from the Fed were solidified when the FOMC met on June 12th and unanimously voted to keep the federal funds rate unchanged. The Fed also increased its forecast for inflation to 2.8%, up from 2.6% in March. Currently, the market is still pricing-in one rate cut in 2024. Large caps continued their upward momentum from May into June, as both the S&P 500 and the Russell 1000 increased by 3.6% and 3.3% respectively. Large Cap Growth stocks carried their dominance from May into June as the Russell 1000 Growth posted a return of 6.7% for the month, while the Russell 1000 Value decreased by 0.9%. Despite broad equity index gains, only five of the eleven sectors contributed, which was led by Technology's 7.8% increase.

In the fixed income space, Treasury yields decreased as the 10-year Treasury yield fell by 0.26%. The spread between the 2- and 10-year Treasury yield decreased its inversion to as low as 49 bps in June, which is its tightest level in six months. As a result, the Bloomberg U.S. Aggregate Index posted a 0.95% return in June. Investment Grade and High Yield securities also increased, as the Bloomberg U.S. Govt/Credit and the ICE BofA US High Yield indices posted returns of 0.9% and 1.0%, respectively. Both investment grade corporate and high yield spreads increased over the month going from 88 to 96 bps in corporates, and 320 to 321 in high-yield.

International Markets & Economy

Although the MSCI World Index increased over the month, most foreign markets struggled, with the MSCI ACWI Ex USA, MSCI EAFE, and MSCI Europe all posting negative returns. Weak retail sales reports in some markets, and political uncertainty in the Eurozone amid French elections contributed to the declines. In June, the ECB lowered its deposit rate for the first time in five years, by 25 bps to 3.75%. With the cut, the ECB joins Switzerland, Canada, and Sweden in easing their interest rate policy following the post-pandemic surge that was required to combat inflation. The market is still pricing-in between one to two more rate cuts from the ECB this year, most likely in September and December. The ECB states, "Despite the progress over recent quarters, domestic price pressures remain strong as wage growth is

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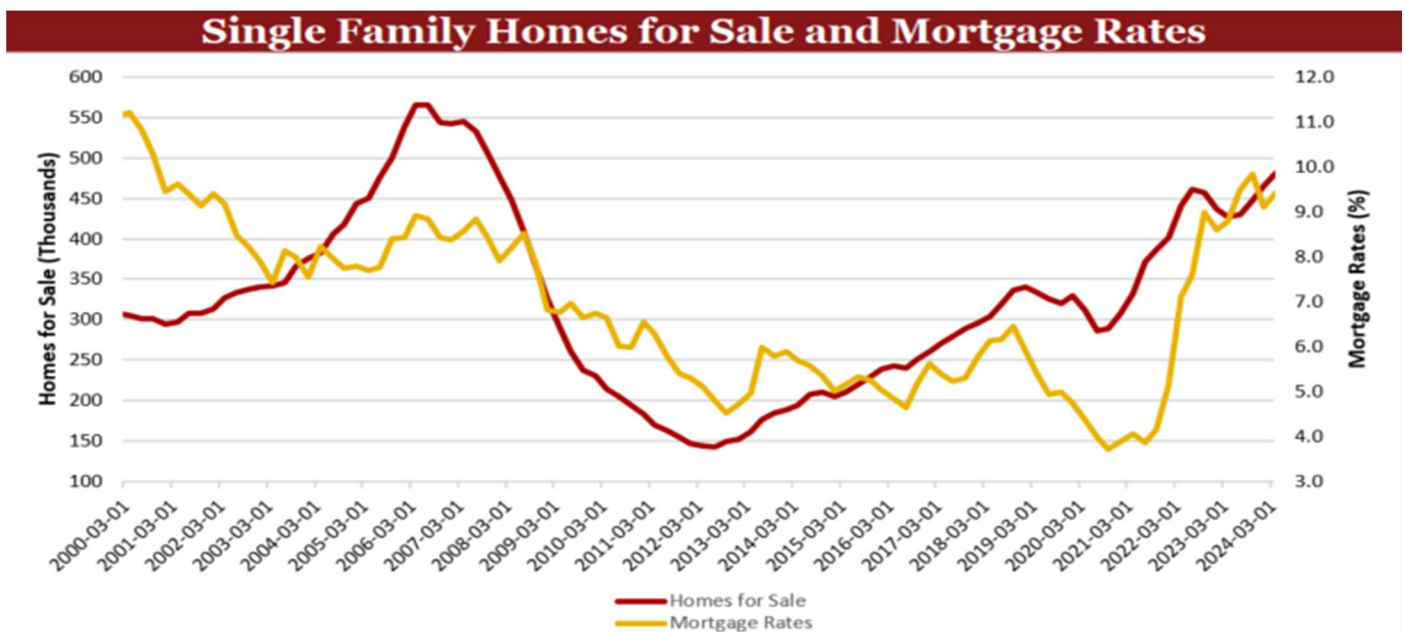
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elevated, and inflation is likely to stay above target well into next year,” which has caused some economists to question the expected cycle of rate cuts. European indices were also pulled down by France’s CAC-40 Index amidst an unexpected snap parliamentary election called by French President Emmanuel Macron. The political shift in France led to volatility in the Eurozone as participants tried to identify winners and losers. Throughout June Japan’s market continued to have mixed results as the Nikkei 225 Index hit an all-time high, while the MSCI Japan Index decreased by 0.7%. Real wage growth continues to remain negative, and household spending unexpectedly declined on a year-over-year basis during June. Further, Yen weakness was cited as a notable headwind, with Tokyo Stock Exchange data showing foreign investors sold \$4.3 billion in Japanese equities during the last week of June. In China, doubts about the country’s economic recovery, especially in the property sector, led to the decrease in the MSCI China Index as it fell by 1.9% over the month. Despite the decline in Chinese securities, the MSCI Emerging Markets index rose by 3.9% over the month. Japans decline over the month, along with geopolitical tensions from the elections cause the MSCI EAFE index to fall by 1.6%.

In the News

The inventory of single family homes for sale stands at its highest level since the housing bubble over a decade ago. This has led to speculation in risk that builders will dial back development, further adding to a market that is seen as unaffordable. As seen in the chart below, historically single family homes for sale are driven by 30-year mortgage rates. Little is expected to change in the short term as the Fed is not expected to make cuts until later this year. With mortgage rates hovering around 7% for the latest year, homeowners who refinanced during the pandemic are reluctant to sell their homes, which has caused an increase in prices and decrease in affordability for the average buyer. Despite this rise in inventory, new mortgage application activity is 13% lower than June of 2023. This is due to the market pricing-in one to two rate cuts this year, which has made buyers more hesitant, hoping to lock in a lower rate in the future. This, coupled with Fannie Mae’s projection that housing prices will increase by 4.8% in 2024 and a further 1.5% in 2025 leads many to believe that the inventory of homes for sale will continue to grow. Stubborn inflation levels have also played a key role in housing market activity, as the market has continued to adapt to higher interest and inflationary environments.

Chart of the Month



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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	2.03	2.63	11.75	20.19	6.86	11.78	9.16
	Bloomberg US Agg Bond TR USD	0.95	0.07	(0.71)	2.63	(3.02)	(0.23)	1.35
	Russell 3000 TR USD	3.10	3.22	13.56	23.13	8.05	14.14	12.15
	DJ Industrial Average TR USD	1.23	(1.27)	4.79	16.02	6.42	10.33	11.30
	NASDAQ Composite PR USD	5.96	8.26	18.13	28.61	6.93	17.24	14.93
	MSCI EAFE NR USD	(1.61)	(0.42)	5.34	11.54	2.89	6.46	4.33
	FTSE Treasury Bill 3 Mon USD	0.45	1.37	2.76	5.64	3.17	2.22	1.53
	Bloomberg Commodity TR USD	(1.54)	2.89	5.14	5.00	5.65	7.25	(1.29)
Domestic Equities	S&P 500 TR USD	3.59	4.28	15.29	24.56	10.01	15.05	12.86
	S&P MidCap 400 TR	(1.58)	(3.45)	6.17	13.57	4.47	10.27	9.14
	S&P SmallCap 600 TR USD	(2.28)	(3.11)	(0.72)	8.66	(0.26)	8.06	8.24
	Russell 1000 TR USD	3.31	3.57	14.24	23.88	8.74	14.61	12.51
	Russell 1000 Growth TR USD	6.74	8.33	20.70	33.48	11.28	19.34	16.33
	Russell 1000 Value TR USD	(0.94)	(2.17)	6.62	13.06	5.52	9.01	8.23
	Russell Mid Cap TR USD	(0.66)	(3.35)	4.96	12.88	2.37	9.46	9.04
	Russell Mid Cap Growth TR USD	1.67	(3.21)	5.98	15.05	(0.08)	9.93	10.51
	Russell Mid Cap Value TR USD	(1.60)	(3.40)	4.54	11.98	3.65	8.49	7.60
	Russell 2000 TR USD	(0.93)	(3.28)	1.73	10.06	(2.58)	6.94	7.00
	Russell 2000 Growth TR USD	(0.17)	(2.92)	4.44	9.14	(4.86)	6.17	7.39
Russell 2000 Value TR USD	(1.69)	(3.64)	(0.85)	10.90	(0.53)	7.07	6.23	
International Equities	MSCI ACWI Ex USA NR USD	(0.10)	0.96	5.69	11.62	0.46	5.55	3.84
	MSCI EAFE NR USD	(1.61)	(0.42)	5.34	11.54	2.89	6.46	4.33
	MSCI EAFE Growth NR USD	(0.45)	(0.75)	6.23	9.39	0.08	6.46	5.42
	MSCI EAFE Value NR USD	(2.78)	0.01	4.49	13.75	5.55	6.07	3.02
	MSCI Japan NR USD	(0.71)	(4.27)	6.27	13.15	2.29	6.62	5.54
	MSCI AC Asia Ex Japan NR USD	4.26	7.20	9.75	12.89	(5.77)	3.51	4.17
	MSCI Europe NR USD	(2.25)	0.55	5.81	11.68	3.87	7.13	4.16
	MSCI United Kingdom NR USD	(1.75)	3.69	6.91	12.49	6.92	5.71	2.66
	MSCI EAFE Small Cap NR USD	(3.04)	(1.84)	0.51	7.78	(3.35)	4.19	4.30
	MSCI EM NR USD	3.94	5.00	7.49	12.55	(5.07)	3.10	2.79
Fixed Income	Bloomberg US Govt/Credit TR USD	0.87	0.05	(0.68)	2.74	(3.11)	(0.07)	1.51
	Bloomberg US Govt/Credit Interm TR USD	0.80	0.64	0.49	4.19	(1.18)	0.71	1.55
	Bloomberg US Govt/Credit Long TR USD	1.09	(1.73)	(4.10)	(1.58)	(8.51)	(2.22)	1.65
	ICE BofA US High Yield TR USD	0.97	1.09	2.62	10.45	1.65	3.73	4.21
	Credit Suisse HY USD	0.88	0.98	2.74	10.22	1.95	3.78	4.14
	Morningstar LSTA US LL Index TR USD	2.23	2.87	11.30	19.38	5.43	10.76	8.43
	FTSE WGBI NonUS USD	(0.79)	(2.84)	(6.17)	(2.19)	(9.40)	(5.02)	(2.45)
	Bloomberg Gbl Agg Ex USD TR USD	(0.51)	(2.11)	(5.26)	(0.66)	(7.48)	(3.56)	(1.86)
REITs	FTSE Nareit All REITs TR	2.17	(0.94)	(2.20)	5.73	(1.95)	3.00	5.85
	Wilshire US REIT TR USD	3.02	(0.25)	(0.26)	8.56	0.32	4.02	5.91

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

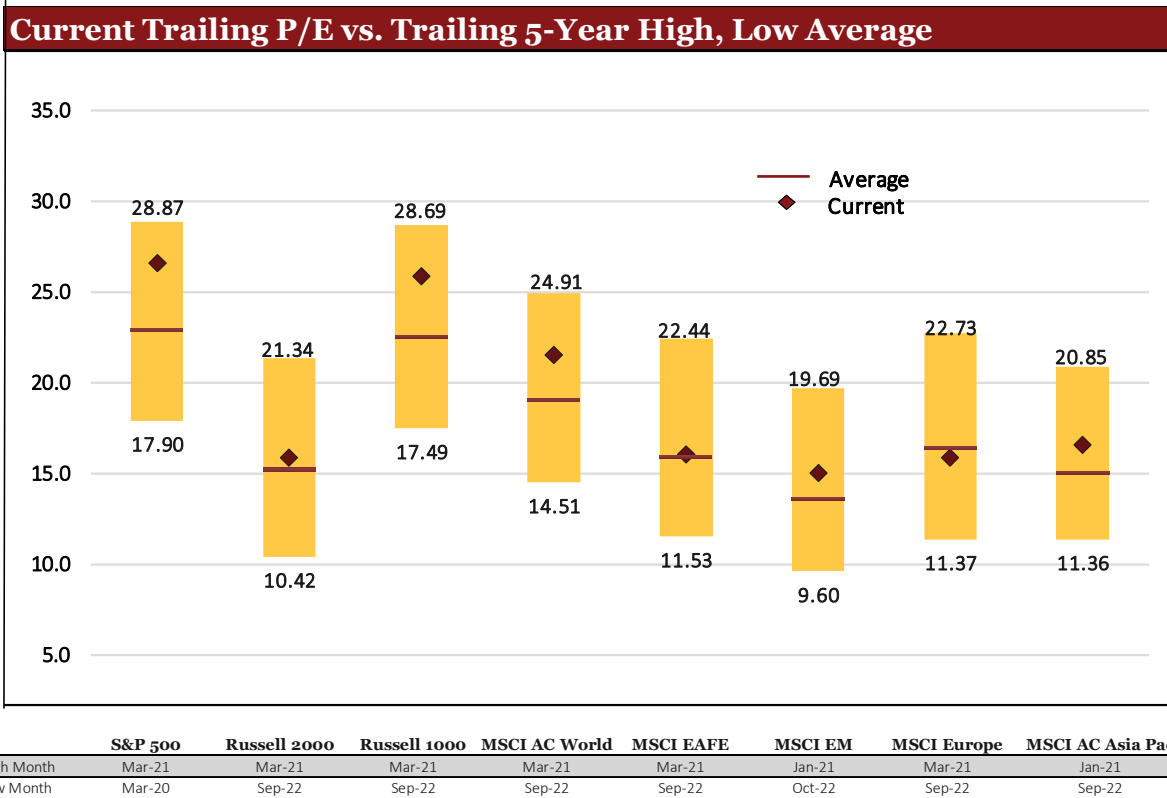
Source: Morningstar

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Source: Morningstar; Data as of 6/30/2024

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2024 ¹	2025 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	1.40	2.56	1.83	4.00	4.44	-	-	3.30
China	1.60	4.94	4.52	5.00	2.36	7.26	7.18	0.30
Japan	-0.50	0.45	1.10	2.60	1.06	159.45	142.09	2.80
United Kingdom	0.70	0.44	1.04	4.40	4.24	1.26	1.27	2.00
Euro Area	0.30	0.73	1.45	6.40	3.07	1.07	1.10	2.60
Germany	0.20	0.21	1.11	6.00	2.58	1.07	1.10	2.20
France	0.20	0.72	1.27	7.50	3.27	1.07	1.10	2.10
Italy	0.30	0.66	1.17	6.90	4.08	1.07	1.10	0.80
Canada	0.40	1.04	1.82	6.20	3.54	1.37	1.32	2.90
India	2.10	6.59	6.58	7.64	7.01	83.39	82.30	4.75
Mexico	0.30	2.20	2.03	2.60	10.23	18.20	17.16	4.69
Brazil	0.80	1.90	2.14	7.10	12.33	5.45	4.76	3.93

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2022 & 2023 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

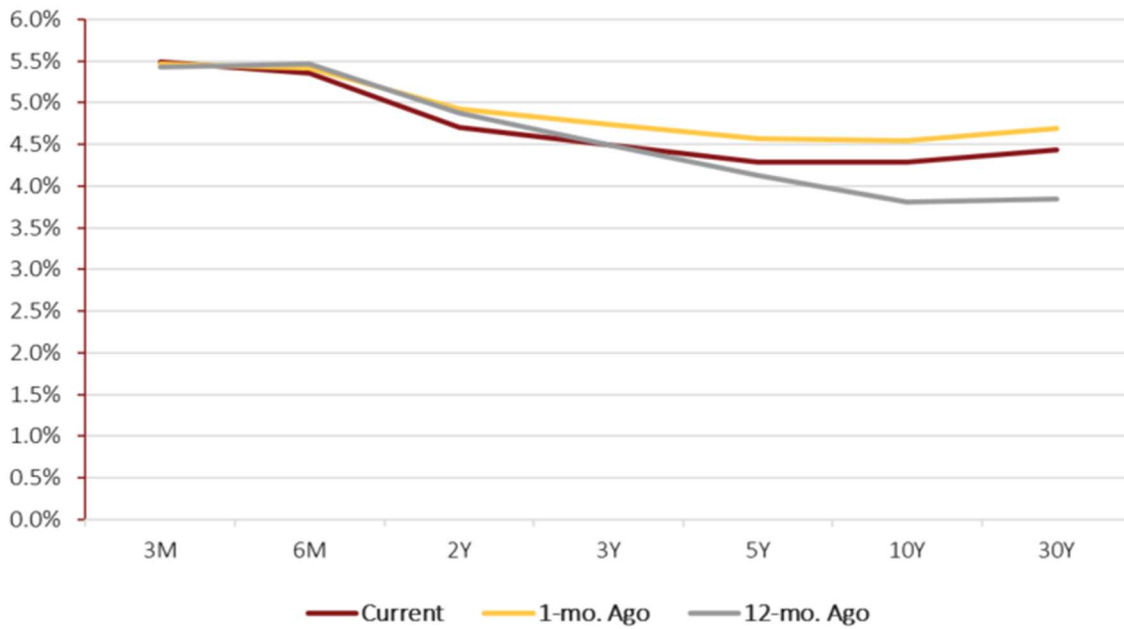
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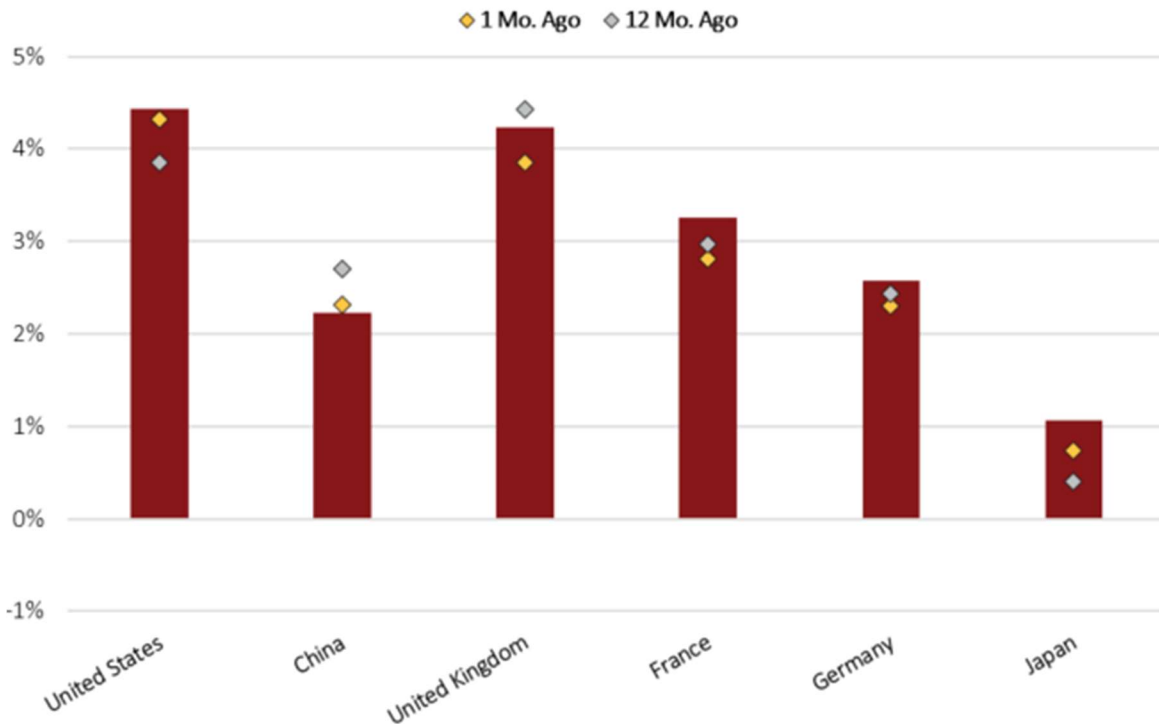
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U.S. Treasury Yield Curves



Source: Federal Reserve Bank of St. Louis, U.S. Department of the Treasury

10-Year Sovereign Yields



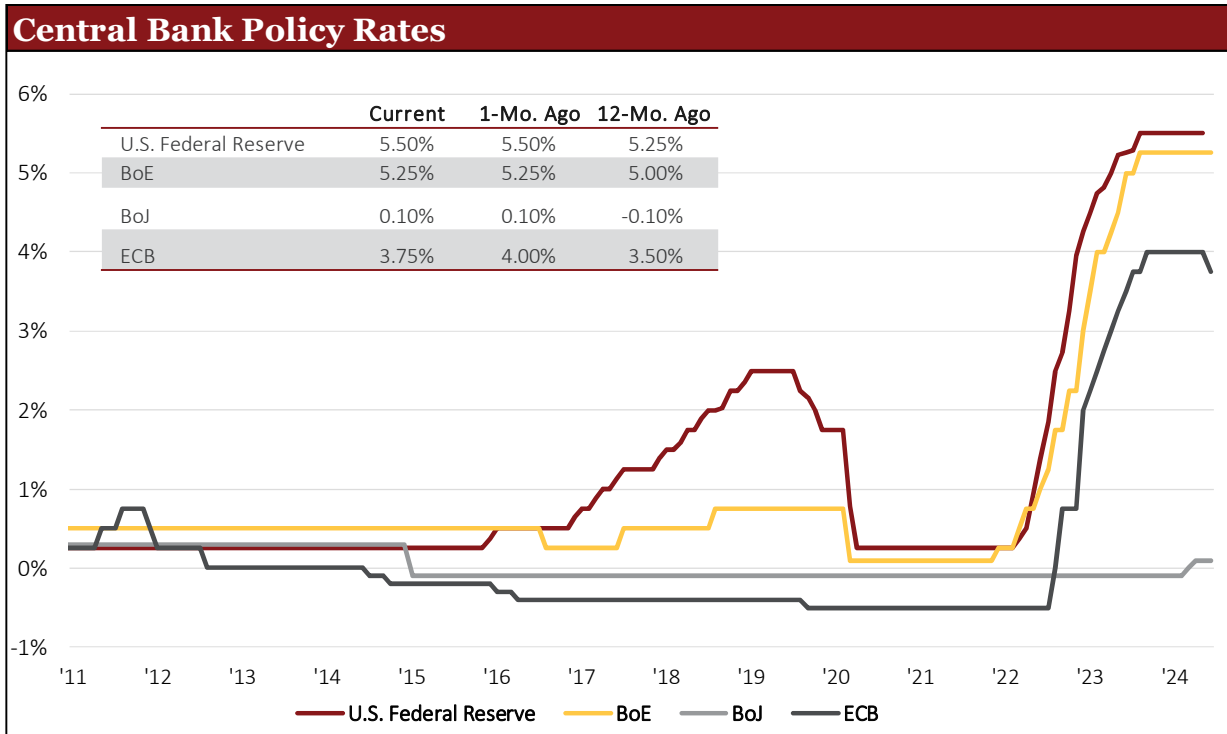
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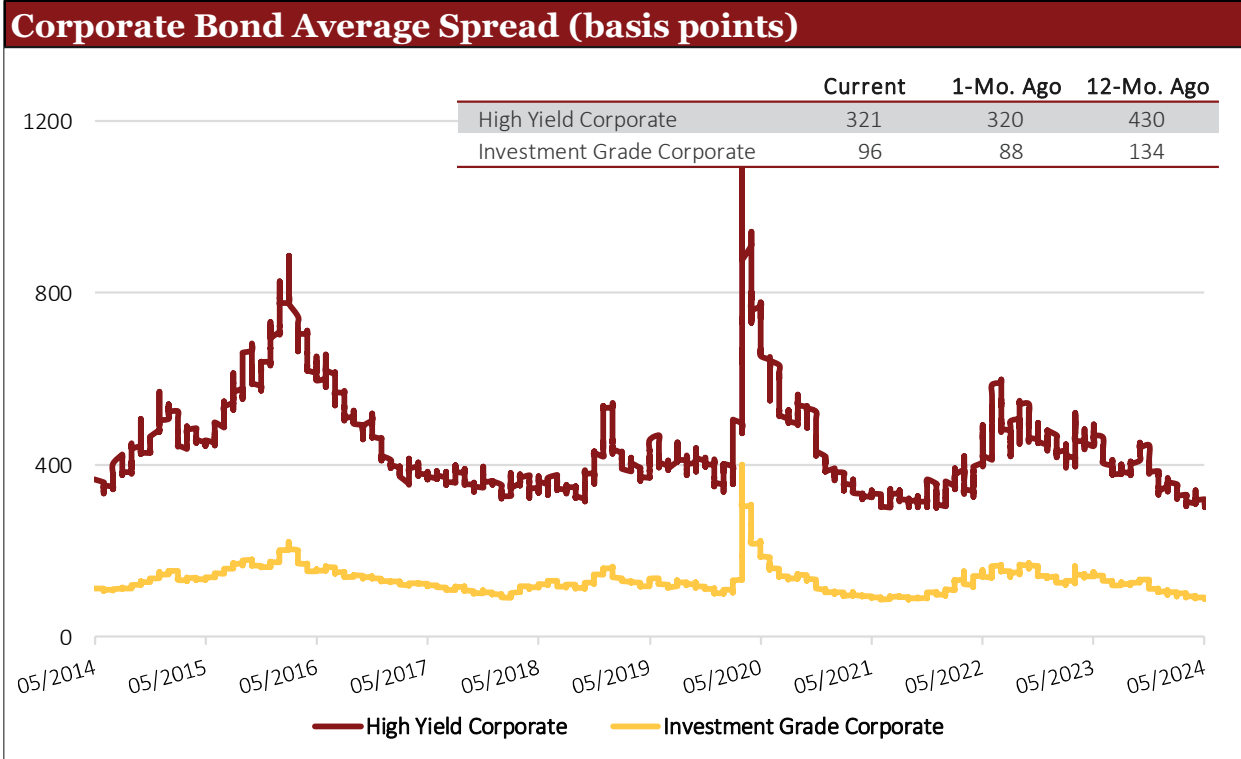
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Source: Trading Economics; Data as of 6/30/2024



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 6/1/2024



Source: Federal Reserve Bank, Bank of America; Data as of 5/31/2024