U.S. Market Commentary

The Markets

Global stocks rose to fresh highs in June, led by a handful of US mega-cap stocks. Bond returns were also positive during the month as inflation continues to moderate.

Market Indices	June 2024	Year-to-Date
Dow Jones Industrial Average	1.1%	4.8%
S&P 500 Index	3.5%	15.3%
NASDAQ Composite	6.0%	18.6%
MSCI World Index	1.9%	12.0%
Bloomberg US Aggregate Bond Index	0.9%	-0.7%
Bloomberg Global Aggregate Bond Index	0.9%	0.1%

The Economy

Midway through the year, the US economy appears to be showing signs of weakening beneath the surface. From a broad view, the economic backdrop looks intact as the first estimate second quarter GDP shows the economy expanding at an annualized 2.8 percent, well above the 1.4 percent confirmed for Q1 2024 and above Q2 2023 GDP of 2.4 percent. Personal Spending and Core Retail Sales also continued to expand in June, recording growth of 0.3 percent and 0.4 percent, respectively.

On the other hand, the US labor market continues to cool, and recent data suggest a noticeable weakening in the sector. The unemployment rate has drifted upward in 2024 and rose to 4.1 percent in June from 4.0 percent in the prior month. Monthly job gains were weaker than expected at 179k (falling from a revised 218k in May), while job openings followed suit and declined slightly by 0.6 percent. Moreover, year-over-year wage growth fell to a revised 3.8 percent from 4.1 percent. Consumer surveys also hint toward a negative outlook, as Americans have expressed concern about future business and income conditions. The Conference Board's Consumer Confidence Index fell by 1.6 points to 100.4 in June but was later revised even lower to 97.8. The University of Michigan's Consumer Sentiment Index also fell slightly by 0.9 points to 68.2 and both readings of consumer opinions have been on a downward trend for the first half of 2024.

As for consumer prices, inflationary trends decelerated further in June. The Consumer Price Index (CPI) fell to 3.0 percent year-over-year from 3.3 percent in the prior month, led by declining fuel prices and a smaller than anticipated increase in shelter costs. The Core CPI (which strips out volatile components such as food and energy) also declined, falling to 3.3 percent from 3.4 percent. Conversely, the Producer Price Index (PPI) saw an increase to 2.6 percent from 2.4 percent due to a jump in costs for final demand services (the Core PPI increased to 3.0 percent from 2.6 percent).

Finally, residential sales within the real estate market remained weak in June as expected. Existing home sales moderated by 5.4 percent to an annualized 3.89 million, while sales of newly built residences fell by 0.6 percent to 617k. However, forward-looking residential activity appears more promising as housing starts increased by 3.0 percent to an annualized 1.353 million while alongside a 4.9 percent rise in building permits to 1.454 million. The MBA 30-year mortgage rate has trended downward over the past few months as expectations for falling interest rates trickle into borrowing costs.