

Big Picture

In July, a noticeable trend emerged in the stock market. The Magnificent Seven faltered while the small-cap stocks surged forward. This has prompted speculation of the beginning of a “Great Rotation” as markets make a significant secular shift from tech giants toward smaller companies.

Despite their impressive leap of over 12% for the month, these small-cap companies still linger below their 2021 highs, indicating they have more room for growth. In contrast, large-cap growth stocks, led by big tech, posted –1.7% for the month.

With the Information Technology and Communication Services sectors witnessing a dip, those sectors traditionally associated with dividend and value strategies, such as Utilities and Financials, posted robust returns on the back of this market rotation.

Fixed-income markets posted positive returns for the month, as yields declined in anticipation of a rate cut in September. The 10-year U.S. Treasury dropped roughly 40 bps for the month, while the two-year shaved off 48 bps, helping to cut the 10-2 spread roughly in half as the yield curve approaches an exit from its prolonged inversion.

The global commodities market has experienced significant shifts recently, as the Bloomberg Commodity Index recorded its lowest level of the year in July. A critical factor in the slump has been China, a leading consumer and potential growth driver of most commodities, which has exhibited a slow-paced economic condition with no immediate indications of resurgence.

Across various segments, futures curves for commodities such as copper, aluminum, zinc, nickel, and lead are currently in contango (when futures prices are higher than spot prices), suggesting an oversupply rather than a prospective price rise.

NEWS Impacting Markets

The Economy, Inflation & the Fed

The U.S. economy has surpassed projections, growing at 2.8%, while inflation is returning to the 2% target made by the Federal Reserve (Fed), indicating a soft landing scenario. Considering this data, as well as the improved job market and eased price pressures, the Fed has made clear that a rate cut could be on the horizon.

The Fed has kept interest rates steady, but signals are strong that rate cuts may be imminent unless inflation resumes a trajectory above the 2% target. Fed Chair Jerome Powell made it abundantly clear in his press conference at the end of July that if the data continues to trend as expected, a policy rate reduction could be on the table at the next meeting in September.

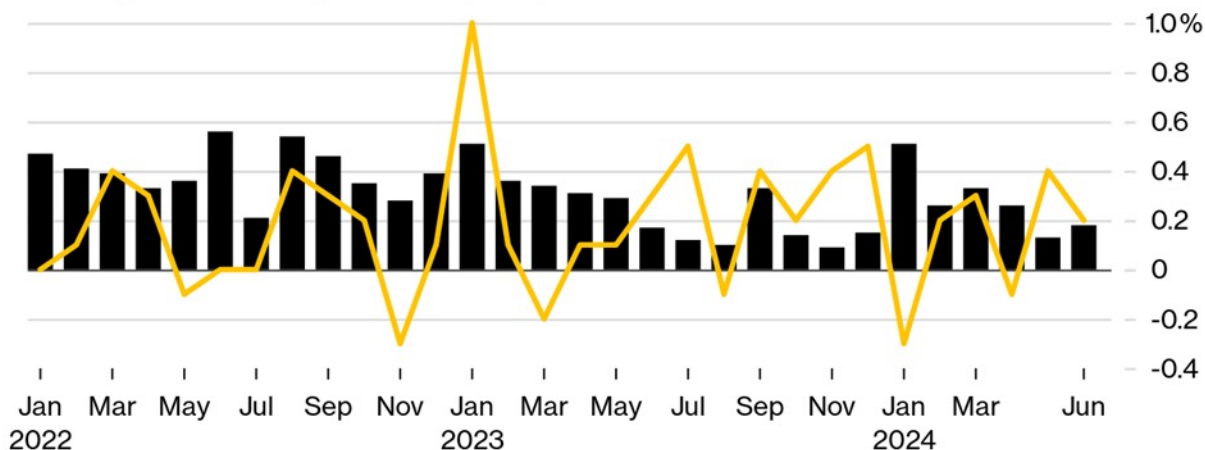
Acknowledging the Fed’s dual mandate of stable prices and full employment, Powell also emphasized the need to maintain a job market that is “strong but not overheated,” a key part of the policy calculus moving forward.¹

¹ Omeokwe, A. “Fed Decision: Officials Hold Rates Steady, Signal First Cut is Nearer,” Bloomberg.com, July 31, 2024, <https://www.bloomberg.com/news/articles/2024-07-31/fed-officials-hold-rates-steady-signal-first-cut-is-nearer>

Underlying US Inflation Rises at Modest Pace

Consumer spending growth cooled in June after strong advance a month earlier

- Change in personal consumption expenditures price index ex-food, energy (MoM)
- ▲ Change in inflation-adjusted PCE (MoM)



Source: Bureau of Economic Analysis

Bloomberg

Final Thoughts

"Success in investing doesn't correlate with I.Q...what you need is the temperament to control the urges that get other people into trouble in investing." – Warren Buffett

In an era dominated by constant news updates and a barrage of financial "infotainment," it's crucial for investors to remember the real secret to successful investing—patience. We believe the path to impressive long-term investment results doesn't lie in making the savviest moves in and out of hot stocks but rather in maintaining a steady investment strategy and allowing time to do its work.

Remember, the stock market isn't a platform for immediate gratification but rather a long-term wealth builder, transferring money from the impatient to the patient. In the inevitable ebb and flow of market trends, the investors who stay the course and focus on their long-term goals tend to succeed.

Index	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Equity							
S&P 500 TR USD	1.22	1.22	16.70	22.15	9.60	15.00	13.15
DJ Industrial Average TR USD	4.51	4.51	9.52	17.22	7.52	11.06	11.96
NASDAQ Composite TR USD	-0.73	-0.73	17.71	23.62	7.09	17.53	16.08
International Developed Markets							
MSCI World ex USA NR USD	3.14	3.14	8.25	11.12	3.66	7.48	4.78
Emerging Markets Equity							
MSCI EM NR USD	0.30	0.30	7.81	6.27	-2.74	3.41	2.63
U.S. Fixed Income							
BBgBarc U.S. Agg Bond TR USD	2.34	2.34	1.61	5.10	-2.63	0.19	1.61
Global Fixed Income							
BBgBarc Global Aggregate TR USD	2.76	2.76	-0.49	3.00	-5.05	-1.43	-0.06

Returns % as of 7/31/24

Source: Morningstar. Past performance does not guarantee future results. All data is from sources believed to be reliable but cannot be guaranteed or warranted. Please see disclosure at the end of commentary for limitations to index performance.

Equities

Equity markets rotated from large growth to small value.

- U.S. large-cap growth stocks, as measured by the Russell 1000 Growth Index, declined by –1.70
- U.S. small-cap value stocks, as measured by the Russell 2000 Value Index, posted a return of 12.19%²
- Commodities were mixed, with Precious Metals and Livestock gaining, while Energy, Agriculture, and Industrial Metals lagged³

Fixed Income

Bonds rallied this month on predictions that the Fed will cut interest rates in September.

- The 10-2 Treasury Yield Spread ended the month at –0.17%, a decrease from –0.35% at the end of June
- The Bloomberg US Aggregate bond index, a widely tracked measure of total returns on U.S. fixed income, finished up 2.34%
- International debt mirrored U.S. markets, as the Bloomberg Global Aggregate bond index finished the month up 2.76%⁴

Factors

Equity risk factors were mixed for the month. Value, Size, and Minimum Volatility outperformed in the U.S. and International Developed markets, while Value, Quality, and Minimum Volatility outperformed in Emerging markets.⁵

² Morningstar Direct as of July 31, 2024

³ S&P Dow Jones Indices as of July 31, 2024

⁴ Morningstar Direct as of July 31, 2024

⁵ Morningstar Direct as of July 31, 2024

Market Commentary: July 2024

Asset Class Snapshot		7/31/24
Asset Class	MTD Return	
U.S. Real Estate	7.50%	
U.S. Bond	2.34%	
Global Stock Ex U.S.	2.32%	
International Bond	1.63%	
U.S. Stock	1.26%	

Region Snapshot		7/31/24
Region	MTD Return	
International Developed	3.15%	
Europe Stock	2.15%	
Asia Pacific Stock	1.98%	
U.S. Stock	1.26%	
Latin America Stock	1.03%	
Emerging Markets	0.30%	

Equity Style Snapshot				7/31/24
MTD	Value	Blend	Growth	
Large	4.74%	1.11%	-1.72%	
Mid	6.02%	4.03%	1.68%	
Small	8.54%	6.78%	4.52%	

Asset Class Summary								7/31/24
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	1.80%	1.26%	9.89%	16.32%	22.02%	8.74%	14.90%	
Global Stock Ex U.S.	0.82%	2.32%	5.19%	8.14%	9.75%	1.79%	6.29%	
U.S. Bond	1.41%	2.34%	5.06%	1.61%	5.10%	-2.63%	0.19%	
International Bond	0.75%	1.63%	2.68%	2.33%	6.89%	-0.39%	0.59%	
U.S. Real Estate	2.27%	7.50%	15.08%	4.41%	10.67%	-1.08%	4.16%	

Region Summary								7/31/24
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	1.80%	1.26%	9.89%	16.32%	22.02%	8.74%	14.90%	
International Developed	1.02%	3.15%	5.48%	8.69%	11.71%	4.23%	8.03%	
Emerging Markets	0.25%	0.30%	4.84%	7.81%	6.27%	-2.74%	3.41%	
Europe Stock	0.84%	2.15%	4.69%	8.08%	10.68%	3.98%	8.01%	
Asia Pacific Stock	0.62%	1.98%	6.15%	9.91%	10.04%	0.04%	5.41%	
Latin America Stock	-0.18%	1.03%	-8.07%	-14.81%	-9.28%	2.71%	0.32%	

Factor Summary								7/31/24
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
MSCI USA	1.80%	1.26%	9.89%	16.32%	22.02%	8.74%	14.90%	
MSCI ACWI	1.44%	1.64%	8.23%	13.41%	17.55%	6.26%	11.57%	
MSCI USA Value	2.43%	4.81%	7.84%	12.67%	16.34%	7.63%	9.91%	
MSCI USA Small Cap	3.10%	7.70%	11.32%	9.89%	13.15%	3.53%	10.18%	
MSCI USA Quality	1.81%	0.29%	10.52%	19.34%	27.21%	10.48%	17.05%	
MSCI USA Momentum	1.63%	-2.10%	7.52%	23.08%	32.55%	5.12%	11.31%	
MSCI USA Minimum Volatility	1.99%	3.74%	8.56%	12.59%	17.29%	6.29%	8.72%	
MSCI USA Diversified Multi-Factor	1.72%	1.58%	10.36%	15.32%	18.82%	7.20%	11.65%	
MSCI ACWI Diversified Multi-Factor	1.76%	2.75%	8.07%	12.33%	14.39%	4.02%	9.19%	

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Market Commentary: July 2024

Sector Snapshot		7/31/24
Sector	MTD Return	
Real Estate	7.24%	
Utilities	6.82%	
Financials	6.40%	
Industrials	4.92%	
Materials	4.34%	
Consumer Cyclical	2.79%	
Health Care	2.66%	
Energy	2.26%	
Consumer Defensive	1.66%	
Comm. Services	0.15%	
Technology	-3.28%	

S&P 500 Sector Weights*		7/26/24
Sector	Weight	
Technology	32.11%	
Financials	12.64%	
Health Care	12.06%	
Consumer Cyclical	10.17%	
Comm. Services	8.82%	
Industrials	7.87%	
Consumer Defensive	5.90%	
Energy	3.66%	
Utilities	2.46%	
Real Estate	2.29%	
Materials	2.02%	

Sector Summary								7/31/24
Sector	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
Cyclical								
Consumer Cyclical	3.41%	2.79%	6.99%	5.31%	8.77%	2.12%	10.20%	
Financials	2.72%	6.40%	8.80%	17.22%	25.93%	8.21%	11.37%	
Materials	2.82%	4.34%	4.45%	8.61%	9.67%	5.26%	11.85%	
Real Estate	2.26%	7.24%	14.96%	4.56%	11.75%	-0.61%	5.44%	
Sensitive								
Comm. Services	3.21%	0.15%	10.48%	18.70%	25.99%	2.30%	12.05%	
Energy	3.18%	2.26%	0.45%	12.95%	10.08%	28.54%	13.88%	
Industrials	3.79%	4.92%	5.58%	12.90%	17.66%	9.09%	12.34%	
Technology	1.35%	-3.28%	11.68%	14.07%	23.64%	13.53%	23.24%	
Defensive								
Consumer Defensive	0.08%	1.66%	3.88%	9.68%	5.79%	5.63%	8.40%	
Health Care	-0.16%	2.66%	7.04%	10.54%	13.34%	5.87%	12.35%	
Utilities	2.42%	6.82%	9.93%	16.80%	12.23%	6.61%	7.48%	

Market Indicators									
Name	As of	Last Month**	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change			Freq.
Key Interest Rates									
1 Month Treasury	7/31/24	5.49%	5.47%	▲ 0.4%	5.48%	▲ 0.2%			Daily
2 Year Treasury	7/31/24	4.29%	4.71%	▼ -8.9%	4.88%	▼ -12.1%			Daily
10 Year Treasury	7/31/24	4.09%	4.36%	▼ -6.2%	3.97%	▲ 3.0%			Daily
30 Year Mortgage	7/25/24	6.78%	6.87%	▼ -1.3%	6.78%	▲ 0.0%			Weekly
US Corporate AAA	7/31/24	4.65%	4.98%	▼ -6.6%	4.75%	▼ -2.1%			Daily
US Corporate BBB	7/31/24	5.37%	5.71%	▼ -6.0%	5.77%	▼ -6.9%			Daily
US Corporate CCC	7/31/24	13.45%	13.95%	▼ -3.6%	13.47%	▼ -0.1%			Daily
Effective Federal Funds	7/31/24	5.33%	5.33%	▲ 0.0%	5.33%	▲ 0.0%			Daily
U.S. Economy									
Consumer Sentiment	7/31/24	66.40	68.20	▼ -2.6%	71.50	▼ -7.1%			Monthly
Unemployment Rate	7/31/24	4.30%	4.10%	▲ 4.9%	3.50%	▲ 22.9%			Monthly
Inflation Rate	6/30/24	2.97%	3.36%	▼ -11.5%	2.97%	▲ 0.1%			Monthly
Manufacturing PMI	7/31/24	46.80	48.50	▼ -3.5%	46.40	▲ 0.9%			Monthly
Non Manufacturing PMI	6/30/24	48.80	49.40	▼ -1.2%	53.90	▼ -9.5%			Monthly
Retail Sales	6/30/24	609,493	608,458	▲ 0.2%	597,826	▲ 2.0%			Monthly
Building Permits	6/30/24	1,446	1,440	▲ 0.4%	1,493	▼ -3.1%			Monthly

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Market Commentary: July 2024

Asset Class Indices		
Name	Index	Index Start Date
U.S. Stock	MSCI USA	1/21/94
Global Stock Ex U.S.	MSCI ACWI Ex USA Net Total Return	12/29/00
U.S. Bond	Bloomberg US Aggregate	4/29/96
International Bond	Bloomberg Global Aggregate ex-USD USD Hedged	9/4/00
U.S. Real Estate	Dow Jones US Real Estate Index Total Return	8/2/10

Region Indices		
Name	Index	Index Start Date
U.S. Stock	MSCI USA	1/21/94
International Developed	MSCI World Ex USA	6/1/94
Emerging Markets	MSCI Emerging Markets Net Total Return	12/29/00
Europe Stock	MSCI Europe Net Total Return	2/28/95
Asia Pacific Stock	MSCI AC Asia Pacific Net Total Return	12/29/00
Latin America Stock	MSCI Emerging Markets Latin America Net Total Return	12/29/00

Equity Style Indices		
Name	Index	Index Start Date
MSCI USA	MSCI USA	1/21/94
MSCI ACWI	MSCI ACWI	12/31/87
MSCI USA Value	MSCI USA Value	12/31/96
MSCI USA Small Cap	MSCI USA Small Cap	6/1/94
MSCI USA Quality	MSCI USA Quality	11/28/75
MSCI USA Momentum	MSCI USA Momentum	12/31/74
MSCI USA Minimum Volatility	MSCI USA Minimum Volatility	5/31/88
MSCI USA Diversified Multi-Factor	MSCI USA Diversified Multi-Factor	11/30/98
MSCI ACWI Diversified Multi-Factor	MSCI ACWI Diversified Multi-Factor	11/30/98

Sector Indices		
Name	Index	Index Start Date
Consumer Cyclical	The Consumer Discret Sel SectSPDR® ETF	12/16/98
Financials	The Financial Select Sector SPDR® ETF	12/16/98
Materials	The Materials Select Sector SPDR® ETF	12/16/98
Real Estate	The Real Estate Select Sector SPDR®	10/7/15
Comm. Services	The Comm Svcs Sel Sect SPDR® ETF	6/18/18
Energy	The Energy Select Sector SPDR® ETF	12/16/98
Industrials	The Industrial Select Sector SPDR® ETF	12/16/98
Technology	The Technology Select Sector SPDR® ETF	12/16/98
Consumer Defensive	The Consumer Staples Sel SectSPDR® ETF	12/16/98
Health Care	The Health Care Select Sector SPDR® ETF	12/16/98
Utilities	The Utilities Select Sector SPDR® ETF	12/16/98

* SPY's sector exposure data is used as a proxy for the 'S&P 500 Sector Weights' module. This data may not be updated as of the selected time period in cell F1, as YCharts does not provide historical sector exposure data for ETFs or Mutual Funds.

** Economic data may not be updated as of the selected time period in cell F1. Please see the 'As of' column in the 'Market Indicators' module to determine each indicator's as of date. '1 Month Ago' and '1 Year Ago' columns will populate with data 1 month and 1 year prior to the 'As of' column, respectively.

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