



David Yarbrough, AAMS®, AIF®
 Senior Vice President, Investments
 Raymond James
 (615) 904-2739 / david.yarbrough@raymondjames.com
 100 E Vine St, Suite 310
 Murfreesboro, TN 37130

Market Stats & Commentary

Market Vital Signs as of 7/31/2024

Stock Indexes	July	YTD	1 Year
S&P 500	1.22%	16.70%	22.15%
Dow Jones Industrial Average	4.51%	9.52%	17.22%
NASDAQ Composite	-0.75%	17.24%	22.68%
Russell Mid Cap Index	4.71%	9.91%	13.69%
Russell 2000 Small Cap Index	10.16%	12.07%	14.25%
MSCI EAFE Developed Int'l Index	2.93%	8.43%	11.21%
MSCI Emerging Markets Index	0.30%	7.81%	6.27%
Bond Indexes			
BBgBarc US Aggregate Bond Index	2.34%	1.61%	5.10%
BBgBarc US Corp High Yield Bond Index	1.93%	4.47%	10.94%
Interest Rates			
	7/31/24	12/31/23	7/31/23
Fed Funds Target Range	5.25%-5.50%	5.25%-5.50%	5.00%-5.25%
10 Yr U.S. Treasury Rate	4.05%	3.94%	3.95%

Source: Raymond James

What a difference a month makes. Returns were solid across the board but the “have nots” from June (everything not large cap tech) had an especially strong July while the NASDAQ was the lone index to finish negative on the month.

The most notable stat from July is obviously the Russell 2000 index, which posted a year’s worth of returns in a month. Much of the money that rotated out of large cap tech found a home in small caps.

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Did Someone Put the Porridge in the Refrigerator?

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There were a couple economic numbers on August 1 & 2 that made investors wonder if the porridge was cooling off faster than expected. This, in turn, brought about a nasty 3 day selloff in markets, with the high valuation large cap tech sector bearing the brunt of the pain. So, what were the numbers that caused the knee jerk reaction? Glad you asked...

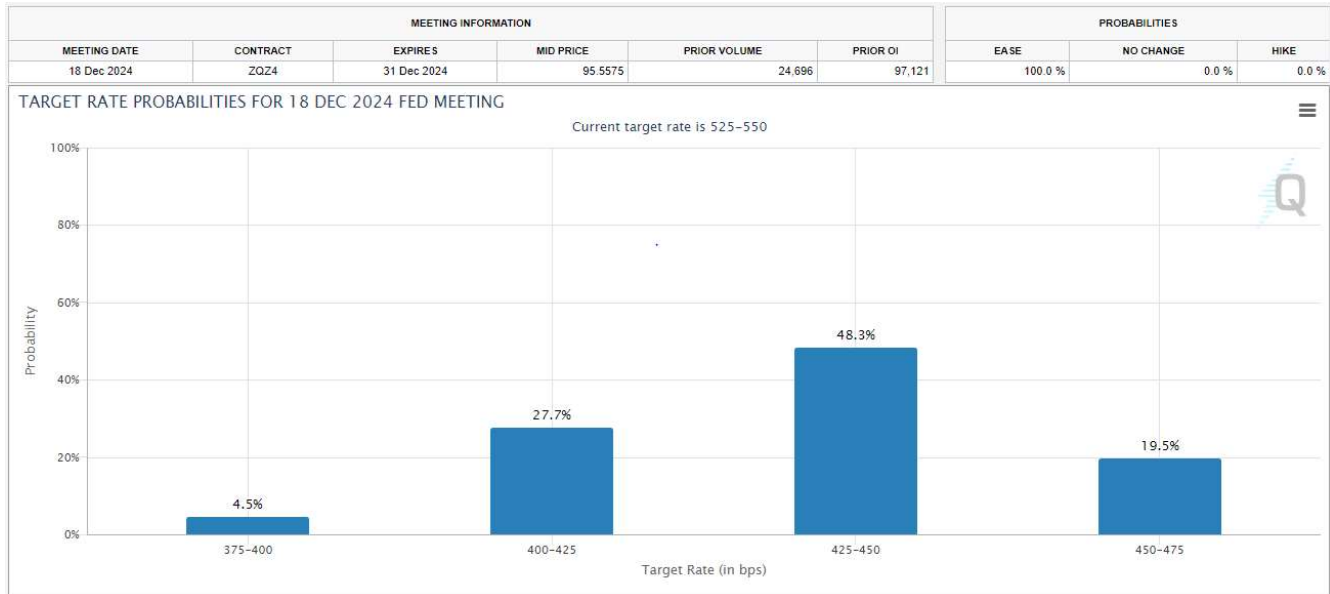
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Those nuggets of data made investors nervous about the economy slowing down faster than expected and the Fed being behind the curve on lowering rates. So, stocks and interest rates both moved down in dramatic fashion.

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As you can see, the futures market has an 80% probability of Fed funds being lower by 1.00% by year end. This seems a bit aggressive to me, as it would indicate a .50% cut at one of the remaining meetings. The porridge would have to be cooling at an increasingly quick rate to make that happen. My own assumption is that rates are cut at the September meeting and then once – maybe twice more – before year end.

What does that mean for stocks? Well, as long as the porridge stays somewhere in the middle, I think stocks can finish the year higher from here. Interest rates going down will be helpful to businesses and consumers, which is obviously a positive. The danger is that the weakness we are seeing in the latest economic numbers creates a negative feedback loop and begins to accelerate. In that case earnings will fall faster than the Fed can reasonably offset, and a “hard landing” becomes a more probable event.

Two Final Thoughts

Remember – September is historically the worst month for the stock market and August is the second worst, so added volatility right now should be no shock.

Finally, there is little evidence that either political party winning the presidency is better for the market. Here is a great article from Motley Fool with some interesting stats: <https://www.fool.com/investing/2024/07/05/average-stock-market-return-democrat-republican-pr/>. The median compounded annual growth rate is better under Republicans, but the median annual return is better under Democrats. Figure that one out...

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Investing involves risk and you may incur a profit or loss regardless of strategy selected. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

Index Descriptions

S&P 500: Representing approximately 80% of the investable U.S. equity market, the S&P 500 measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested.

Dow Jones Industrial Average Total Return: The Dow Jones Industrial Average is a composite of 30 stocks spread among a wide variety of industries, such as financial services, industrials, consumer services, technology, health care, oil & gas, consumer goods, telecommunications, and basic materials. The index represents approximately 23.8% of the U.S. market, and is price weighted (component weightings are affected by changes in the stocks' prices). Maintained by the Averages Committee, components are added and deleted on an as-needed basis.

Russell Midcap: A subset of the Russell 1000 index, the Russell Midcap index measures the performance of the mid-cap segment of the U.S. equity universe. Based on a combination of their market cap and current index membership, includes approximately 800 of the smallest securities which represents approximately 31% of the total market capitalization of the Russell 1000 companies. The index is created to provide a full and unbiased indicator of the mid-cap segment.

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NASDAQ: The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.

MSCI EAFE (Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. As of June 2, 2014, the index consists of 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

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Investing in emerging markets can be riskier than investing in well established foreign markets.



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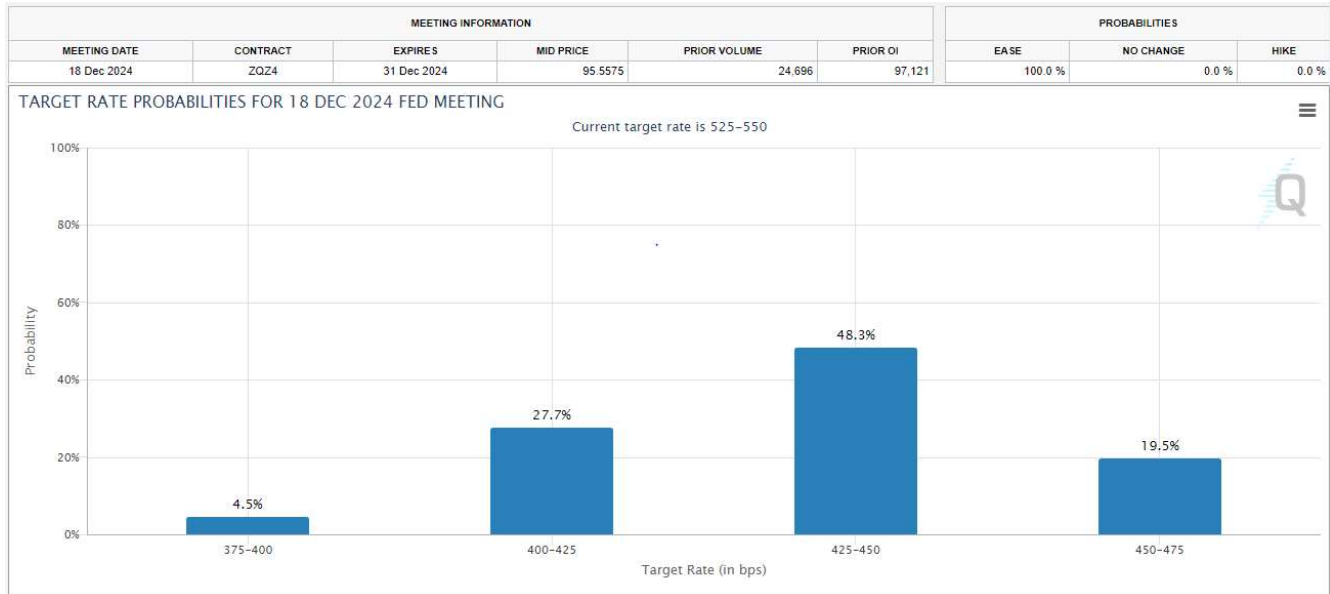
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