

Monday, July 8, 2024

SUMMARY-

- I. Stocks make new highs with help from big tech names and cooling economic data.
- II. Services joins manufacturing in mild contraction mode.
- III. Labor markets continue to support disinflation.
- IV. Inflation report, Powell testimony, and earnings kickoff on deck this week.

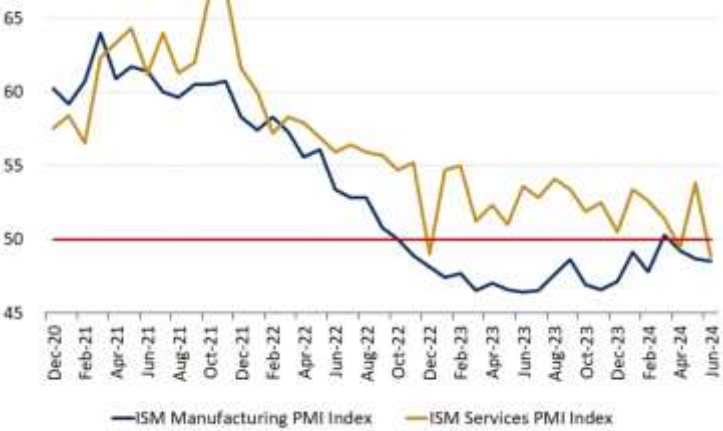
Good morning:

Thanks to help from a few of mega-cap Magnificent 7 tech stocks, the NASDAQ and the S&P 500 pushed their record levels higher again in last week's holiday-shortened trading, posting weekly total returns of 3.5% and 2.0%, respectively. For the NASDAQ, it was the tenth positive week out of the past eleven. Meanwhile, the Dow gained 0.7% and remained 1.6% below its record set in mid-May. Market strategists continued to find support for an improving inflationary outlook in several new economic reports which may have sparked some of the buying. Cooling data from both the manufacturing and services sectors, as well as the labor market prompted bond yields to decline and bolstered hopes for Fed rate cuts later this year.

Two key leading indicators of U.S. economic growth are the ISM (Institute of Supply Management) monthly reports on the manufacturing and services

sectors. For June, both readings came in below 50, indicating contraction in the manufacturing and non-manufacturing economies. Keep in mind, the U.S. manufacturing sector has been weak for some time, with the ISM manufacturing index in contraction for 19 of the last 20 months. While U.S. consumers had initially spent more on goods during and following the pandemic, households have since shifted their spending to services, including travel, dining, and entertainment. After 17 of the past 20 months had shown expansion in the services data, two of the past three months have now shown contraction. This may be due to a combination of normalizing spending patterns, depleted excess savings, along with households feeling the pinch of recent high inflation. With U.S. services accounting for over 70% of gross domestic product (GDP), such a slowdown would likely bring the overall GDP to below-trend levels of 1.5 - 2.0%. As this is still a positive growth rate, it could confirm the soft-landing narrative and be a welcome result for domestic equity and fixed income markets.

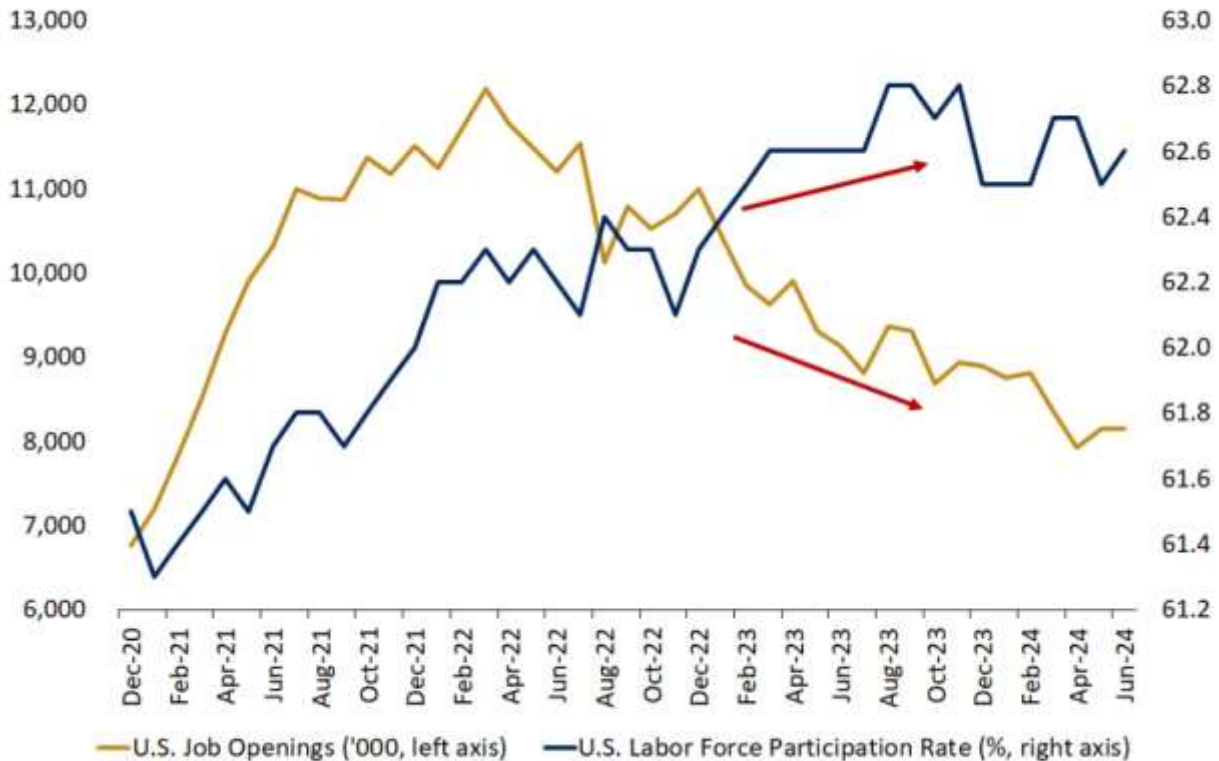
**The ISM Manufacturing and Services Indexes have been softening and fell into contraction last month**



Source: Bloomberg

Similarly, the U.S. labor market is showing early signs of cooling from a position of recent relative strength. June's gain of 206,000 jobs exceeded economists' consensus forecast for around 190,000, but a rise in unemployment to 4.1% left the jobless rate at the highest level since November 2021. Moreover, April's and May's initially reported jobs growth figures were revised downward by a total of 111,000, adding to the recent data indicating a modest slowdown in jobs growth. Clearly, the supply and demand dynamics of the labor market now seem to be more in balanced. Labor supply has improved since the pandemic as workers return to the labor force, as seen in the rising labor force participation trends. The surge in immigration has also been a steady source of supply in the labor market in recent years. Meanwhile, the demand for labor has moderated, with companies pulling back job openings across many sectors. As a result, we have seen unemployment rates grind higher while wage growth figures have slowed. This gradual softening is the outcome that would be most favored by the Fed and markets as it points to a labor market that has cooled but not collapsed. An easing labor market implies consumption may soften which supports lower inflationary pressures.

### Better supply and demand in U.S. labor market: Participation rates have climbed higher, while job openings have moved lower



Source: Bloomberg

With job growth slowing, investors will be closely watching the release of June's Consumer Price Index (CPI) on Thursday. This follows two days of testimony this week from Fed Chair Powell before the Senate Banking Committee on Tuesday and the House Financial Services Committee on Wednesday. However, the earliest market expectations for an initial rate cut are currently in September. As usual, economists will be paying close attention to Powell's exact words and phrasing for any hints of a change in Fed policy or tactics. Markets have been known to react abruptly to such comments causing traders to also tune in and be ready.



This week also marks the start of Q2 earnings season. Like always, some of the nation's largest banks will be reporting their results this week, along with several other key blue-chip consumer staples and industrial names. Any signs of improving fundamentals and bullish outlook in these reports could spark renewed interest in value stocks as many investors and portfolio managers attempt to find bargains within a market dominated recently by AI-fueled mega-cap tech enthusiasm. As we continue to suggest, a broadening out of equity sector participation is both healthy and long overdue.



Have a great week and enjoy some beautiful summer weather!

Mark and Jeff

**Mark S. Loftus, CFP®**

Managing Partner & Founder, LPWP  
Registered Principal, RJFS

**Jeffrey C. Preusser, CFP®**

Senior Partner, LPWP  
Registered Principal, RJFS



O: 630.566.9200 // T: 844.890.8750 // F: 630.566.9292  
1901 Butterfield Road, Suite 100, Downers Grove, IL 60515  
[www.loftus-preusser.com](http://www.loftus-preusser.com)



Loftus & Preusser Wealth Partners is not a registered broker/dealer and is independent of Raymond James Financial Services. Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc.

**DISCLAIMER:**

If you no longer want to receive this Monday Outlook email, simply reply to this email with "REMOVE" or "OPT OUT" in the subject line and we will remove you from our email list.

Opinions expressed in this email are those of the author and are not necessarily those of Raymond James. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material nor is it a recommendation.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.

All investments are subject to risk regardless of strategy selected. Individual investor's results will vary. Past performance does not guarantee future results. Forward looking data is subject to change at any time and there is no assurance that projections will be realized. Diversification and strategic asset allocation do not ensure a profit or protect against a loss.

The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market.

The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. Raymond James makes a market in AAPL, AMZN, GOOGL, META, MSFT, NVDA, AND TSLA. This is not a recommendation to purchase or sell the stocks of the companies mentioned.

Market return and statistical data obtained from: [https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly\\_market\\_recap.pdf?segment=AMERICAS\\_US\\_ADV&locale=en\\_US](https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US)

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.

Every investor's situation is unique, and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.

This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Certified Financial Planner Board of Standards, Inc. (CFP Board) owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, and CFP® (with plaque design) in the United States, which it authorizes use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements.