



WEEK OF JUNE 10, 2024

# Market Update

Mega-cap technology stocks, led by Nvidia, carried the market rally. The bond market was extremely volatile because of a hotter-than-expected employment report.

## Quick Hits

- 1. Report releases:** Hiring accelerated in May, with 272,000 jobs added during the month.
- 2. Financial market data:** Nvidia continued to carry the market, surpassing \$3 trillion in market capitalization.
- 3. Looking ahead:** All eyes will be on this week's Federal Reserve (Fed) meeting.



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## Report Releases: June 3–7, 2024

### ISM Manufacturing Index May (Monday)

Manufacturer confidence fell more than expected, due in large part to a fall in new orders.

- Expected/prior ISM Manufacturing index: 49.5/49.2
- Actual ISM Manufacturing index: 48.7



### ISM Services Index May (Wednesday)

Service sector confidence rebounded sharply after falling more than expected in April, bringing the index to its highest level this year.

- Expected/prior ISM Services index: 51/49.4
- Actual ISM Services index: 53.8



### Trade Balance April (Thursday)

Although the trade deficit widened less than expected, the April figure represents the largest monthly deficit in more than one year.

- Expected/prior trade deficit:  $-\$76.5$  billion/ $-\$68.6$  billion
- Actual trade deficit:  $-\$74.6$  billion



### Employment Report May (Friday)

Hiring accelerated in May, with a strong 272,000 new jobs added. Underlying details were a bit mixed; the unemployment rate rose to 4 percent and labor force participation dropped.

- Expected/prior change in nonfarm payrolls: +180,000/+165,000
- Actual change in nonfarm payrolls: +272,000



## >> The Takeaway

- The May employment report was better than expected, pushing out expectations for interest rate cuts.
- Manufacturing confidence fell more than expected but was offset by a larger-than-expected rebound in service sector confidence.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.36%	1.36%	12.81%	27.21%
Nasdaq Composite	2.40%	2.40%	14.51%	31.75%
DJIA	0.33%	0.33%	3.86%	17.62%
MSCI EAFE	0.61%	0.61%	7.72%	16.01%
MSCI Emerging Markets	2.36%	2.36%	5.85%	10.72%
Russell 2000	-2.07%	-2.07%	0.56%	8.96%

Source: Bloomberg, as of June 7, 2024

Large-cap U.S. equities moved higher, albeit because of a narrow, technology-led rally. Nvidia rose more than 10 percent, crossing \$3 trillion in market capitalization. Small-caps were weak; a hotter-than-expected jobs report lifted rates. Small-caps are more rate sensitive because a larger portion are less profitable and rely on variable rate debt. Mega-cap stocks fared better, carrying S&P 500 performance. Utilities, energy, and materials struggled, whereas technology, health care, and communication services led the way higher.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.44%	-1.21%	1.98%
U.S. Treasury	0.41%	-1.45%	0.53%
U.S. Mortgages	0.60%	-1.53%	1.21%
Municipal Bond	1.07%	-0.86%	3.30%

Source: Bloomberg, as of June 7, 2024

The net move in yields told only part of the story in a volatile week for the bond market. The 2-year Treasury yield closed down just 2 basis points (bps), ending the week at 4.87 percent. The 2-year had fallen 17 bps before Friday's employment report, which led a major reversal in yields. The 10-year was down 8 bps before rallying 15 bps on Friday to close at 4.43 percent. The 30-year lost 10 bps, closing at 4.55 percent.

### >> The Takeaway

- The rally in U.S. equities continued to be narrow, with large-cap technology names such as Nvidia carrying the broader market.
- Yields were down moderately, rallying after Friday's surprising employment report.

## Looking Ahead

This will be a busy week for economic data. The highlight will be this month's rate decision by the Federal Open Market Committee (FOMC); we also expect reports on inflation and consumer sentiment.

- The week kicks off Wednesday with the release of the **Consumer Price Index** for May. Headline consumer inflation is expected to remain steady at 3.4 percent year-over-year.
- Also on Wednesday, we expect the **FOMC rate decision**. The Fed is expected to keep interest rates unchanged after its June meeting.
- On Thursday, the **Producer Price Index** for May will be released. Producer price growth is set to slow, with headline prices expected to rise a modest 0.1 percent.
- Finally, on Friday, the **preliminary University of Michigan consumer sentiment survey** for June will be released. Consumer sentiment is expected to rise after falling in April and May.







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companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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