

Market Update – July 22, 2024

The Weekly Briefing

Equities are at a crossroads. The Russell 2000 Index, a benchmark for small cap stocks, rose 10% in four trading days following the June CPI report that came in below expectations and solidified market expectations for a September rate cut. Over that same timeframe the S&P 500 gained 1%, an index tracking the so called “Magnificent 7” stocks fell 4%, and market darling Nvidia fell almost 7%.

This price action reflects rotation out of a heavily crowded trade. [As we have discussed](#), market breadth is near historic lows as a small number of stocks are driving index performance. The Mag 7 stocks are up 32% this year, beating the S&P 500’s 16% return, and well ahead of the equal-weight S&P 500’s 7% gain. The Russell 2000 was up a mere 1% prior to the June CPI report.

The recent outperformance of small caps and other underperformers may signal the beginning of broader participation. Smaller companies are generally more sensitive to financing costs and are generally quoted higher rates than larger companies. As rate cuts become increasingly certain, smaller stocks may continue to outperform. Increased confidence in the economic outlook should also support small cap stocks and increase market breadth.

However it remains to be seen if the recent rotation outside of a select group of winners will continue. To end the week, the Mag 7 group outperformed the S&P 500 and the Russell 2000 gave back a substantial portion of recent gains, falling 2.5%. Although the prospect of rate cuts is on the horizon, investors may need more confidence in the economy to allocate further up the risk spectrum. If the rotation does continue, current concentrations in a select few names pose a risk. Rapid exits of crowded positions can result in increased volatility as many investors rush to sell at once.

Such uncertainty reinforces the benefits of diversification and the importance of aligning one’s portfolio with defined goals and objectives.

Market Snapshot

	Last Week	YTD	1yr
S&P 500	-2.2%	16.3%	23.2%
DJIA	0.2%	8.0%	16.7%
Nasdaq 100	-4.2%	16.5%	27.6%
Russell 2000	-0.1%	8.6%	13.1%
S&P 500 E/W	-0.2%	7.7%	11.2%
2yr Yield	4.51%	0.26%	-0.26%
10yr Yield	4.24%	0.36%	0.49%
VIX	16.5	4.1	2.9
WTI Crude	\$80.1	11.8%	4.0%
Gold	\$2,401	16.4%	22.8%
Bitcoin	\$67,742	61.5%	127.1%

Economic Summary

	Actual	Expected	Prior (r)
Retail Sales - m/m	0.0%	-0.3%	0.3%
Retail Sales - y/y	2.3%	-	2.6%
Core Retail Sales - m/m	0.9%	0.2%	0.4%
Core Retail Sales - y/y	3.8%	-	3.1%
Building Permits	1,446k	1,400k	1,399k
Industrial Production - m/m	0.6%	0.3%	0.9%
Industrial Production - y/y	1.6%	-	0.3%
Initial Jobless Claims	243k	229k	223k
Continuing Claims	1,867k	1,856k	1,847k

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
VZ (bmo)	Existing Home Sales	S&P Global Flash PMIs New Home Sales	GDP Initial Jobless Claims Continuing Claims	PCE Price Index Personal Income Personal Spending UMich Consumer Confidence
	GE (bmo) KO (bmo) LMT (bmo) UPS (bmo) GOOGL (amc) TSLA (amc) TXN (amc) V (amc)	GEV (bmo) T (bmo) TMO (bmo) CMG (amc) F (amc) IBM (amc) NOW (amc)	AAL (bmo) ABBV (bmo) HON (bmo) KDP (bmo) RTX (bmo) SAM (amc)	MMM (bmo)

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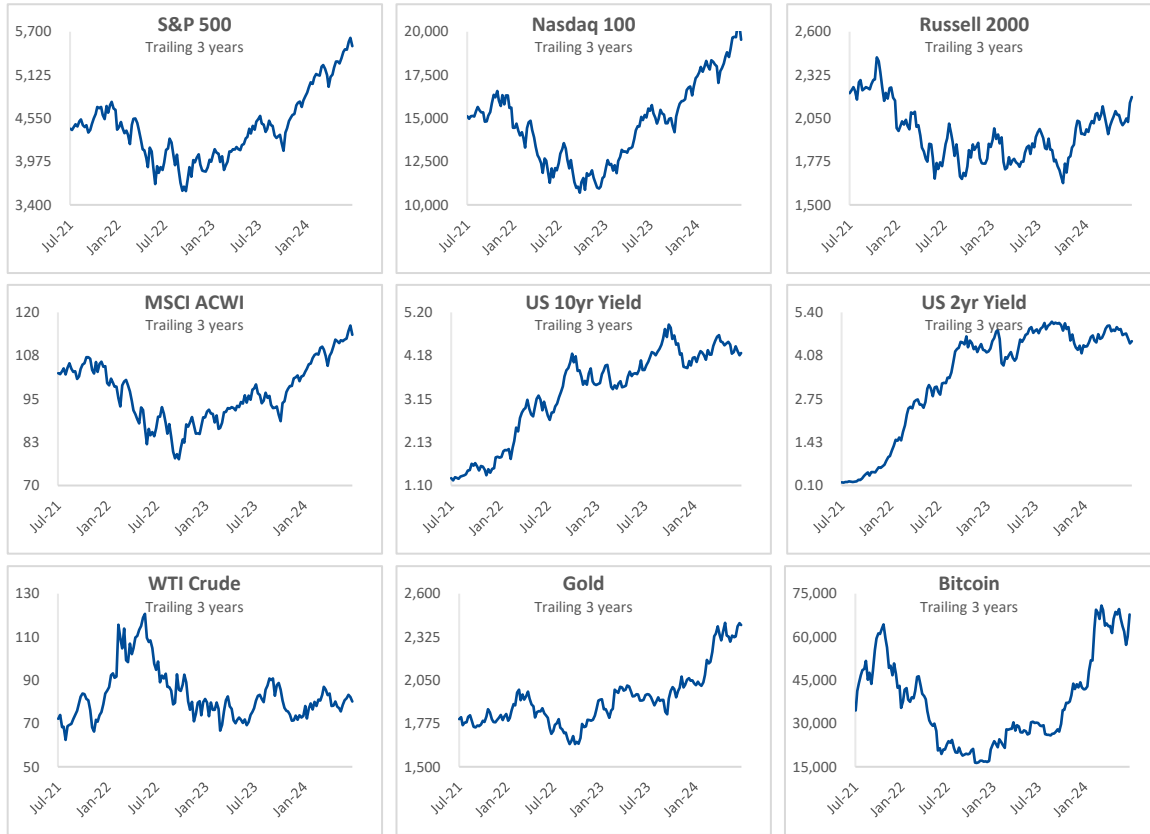
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Markets Monitor



S&P 500 Sector Heatmap Total Return YTD

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
16.3%	17.8%	5.5%	10.0%
Energy	Financials	Healthcare	Industrials
11.9%	14.8%	9.2%	10.3%
Materials	Real Estate	Technology	Utilities
6.2%	2.8%	15.1%	12.5%

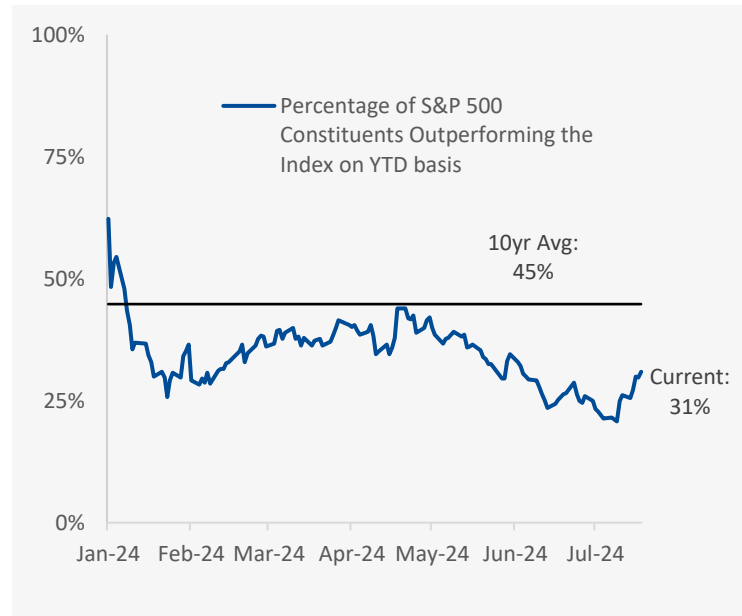
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
16-Jul	BAC	Beat	Beat	5.4%
	SCHW	Beat	Beat	-10.2%
17-Jul	JNJ	Beat	Beat	3.7%
18-Jul	ISRG	Beat	Beat	9.3%
	NFLX	Beat	Beat	-1.5%
	TSM	Beat	Beat	0.4%
19-Jul	HAL	-	Miss	-5.6%
	SLB	Beat	Beat	2.0%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	-2.1%	12.6%	18.2%
MSCI Europe	-2.0%	7.0%	10.1%
MSCI APAC	-2.2%	9.7%	13.0%
DXY Index	104.4	3.0%	3.3%
EUR / USD	\$1.09	-2.3%	-3.8%
GBP / USD	\$1.29	1.4%	0.7%
USD / JPY	157.5	11.7%	11.3%
USD / CNY	7.26	2.3%	0.5%

Few S&P 500 Constituents are Outperforming the Index this Year



Sources: Bloomberg, Logia Portfolio Management, Sunflower Bank.



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