

Quarterly Recap

At-A-Glance

The S&P 500 finished June at 5,460, just 0.48% below its 31st all-time high of the year set on June 18. The S&P 500 is up 37.18% from its October 2023 low and capped its third straight quarterly gain.

The Dow Industrials rose 1.23% in June, trimming its second quarter loss to 1.27%. The Dow-30 Index is up 4.79% YTD, having reached a new record high on May 16, closing above 40,000 for the first time.

The Nasdaq Composite gained 6.03% in June and 8.47% in the second quarter, capping a YTD gain of 18.57%.

Foreign equities widely trailed the U.S. on a YTD basis. Yet in June, Emerging Markets (+5%) outperformed, surpassing S&P 500 performance by 0.72%. Internationally, the MSCI EAFE Index ended negative in June and the second quarter, capping a 7.49% gain for the first half of 2024.

The Bloomberg Commodity Index fell 1.54% in June, trimming its second quarter gain to 2.89%. Commodities are up 5.14% YTD.

S&P GSCI Gold rose 4.93% in the quarter extending its YTD gain to 12.66%. S&P GSCI Crude Oil gained 1.28%, extending its YTD advance to 19.79%.

Second Quarter 2024 Recap

Market Indices ¹	June	2Q 2024	YTD
S&P 500	3.59%	4.28%	15.29%
Russell 3000	3.10%	3.22%	13.56%
Russell 2000	-0.93%	-3.28%	1.73%
MSCI EAFE	-1.61%	-0.42%	5.34%
MSCI Emerging Markets	3.94%	5.00%	7.49%
Bloomberg US Aggregate Bond	0.95%	0.07%	-0.71%
Bloomberg US Municipal Bond	1.53%	-0.02%	-0.40%
Bloomberg US Corporate High Yield	0.94%	1.09%	2.58%

¹FactSet (all equity performance is total return based, which include reinvested dividends).

The S&P 500 ended the second quarter with a technology-driven rally that spurred a 15.29% return during the first half of the year, its sixth best two-quarter start to a year since 1990. Moreover, the near 15.3% performance is the second strongest election year start since 1944. Unusually, however, only a handful of Big Tech company stocks have fueled this year's rally. Despite a sell-off at the end of June, the primary bellwether artificial intelligence (AI) chipmaker dominated the two-quarter tech rally, up nearly 150% year-to-date (YTD). Four other so-called Magnificent Seven stocks also eclipsed the S&P 500's first half performance. All three major U.S. equity indices advanced in June, posting their seventh positive monthly performance in eight months.

Additional catalysts behind the sustained broad market rally include further easing in consumer inflation. The most current personal-consumption expenditures (PCE) price index was flat in May for the first time in six months and its year-over-year measure came in at 2.6%, down from 2.7% the month prior. The Fed's preferred inflation gauge, the core PCE price index that excludes food and energy, rose just 0.1% in May while its annualized rate declined from 2.8% to a 38-month low of 2.6%.

In other key data, U.S. real GDP growth slowed to an annual pace of 1.4% in the first quarter, up slightly from 1.3% previously estimated but is considerably lower than 3.4% economic growth in the fourth quarter 2023. San Francisco Fed President Daly said May's inflation data suggests that the central bank's monetary policy is working to control inflation and cool the economy. She, however, noted that it remains too soon to determine whether reducing interest rates is appropriate.

Recovering corporate earnings are also helping boost investor sentiment. After earnings on S&P 500 companies increased at a 5.5% year-over-year (YOY) pace in the first quarter to exceed initial estimates for 3.1%, S&P Capital IQ is forecasting second quarter 2024 earnings per share (EPS) to grow by 8.2% YoY. Estimates now also point to 9.2 EPS growth for all of 2024, followed by a 14.6% increase in 2025.

Financials got a boost towards the end of the quarter after all of the 31 largest U.S. banks passed their annual "stress tests", satisfying federal regulators that the systemically important banks could withstand a jump in the unemployment rate to 10% during a severe hypothetical recession.

As shown in the style box performance boxes below, large cap Growth and large cap Blend led gains in all three time periods. Likewise small and mid cap Value and Blend ended negative or gained the least.

June Returns				Quarterly Returns				YTD Returns			
	Value	Blend	Growth		Value	Blend	Growth		Value	Blend	Growth
Large Cap	-0.94%	3.31%	6.74%	Large Cap	-2.17%	3.57%	8.33%	Large Cap	6.62%	14.24%	20.70%
Mid Cap	-1.60%	-0.66%	1.67%	Mid Cap	-3.40%	-3.35%	-3.21%	Mid Cap	4.54%	4.96%	5.98%
Small Cap	-1.69%	-0.93%	-0.17%	Small Cap	-3.64%	-3.28%	-2.92%	Small Cap	-0.85%	1.73%	4.44%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which includes dividends. Investors cannot invest directly in indexes. Data as of 6/30/2024.

Despite late-quarter selling in the bellwether AI chipmaker, Technology was the top sector performer in all three time periods. While Energy was among the worst performing sectors in June and the second quarter, Energy (+10.93%) is third best top performer this year. Real Estate is the sole negative performing sector this year but trimmed its YTD loss to 2.45%.

Top Sector Performers – June ¹		Bottom Sector Performers – June ¹	
Technology (+9.32%)		Energy (-1.29%)	
Consumer Discretionary (+4.89%)		Materials (-3.03%)	
Communication Services (+4.80%)		Utilities (-5.51%)	
Top Performers – Second Quarter ¹		Bottom Performers – Second Quarter ¹	
Technology (+13.81%)		Energy (-2.42%)	
Communication Services (+9.37%)		Industrials (-2.90%)	
Utilities (+4.66%)		Materials (-4.50%)	
Top Performers – YTD 2024 ¹		Bottom Performers – YTD 2024 ¹	
Technology (+28.24%)		Consumer Discretionary (+5.66%)	
Communication Services (+26.68%)		Materials (+4.05%)	
Energy (+10.93%)		Real Estate (-2.45%)	

¹FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends).

The yield on benchmark 10-year Treasury notes rallied during the second quarter, ending June at 4.371%, up 0.17% from 4.201% at the end of March. Treasury prices were weaker across the curve as market expectations for multiple 2024 rate cuts diminished over the quarter.

In fixed-income performance, U.S. Treasuries (as measured by the Bloomberg U.S. Government Bond Index) advanced 1% in June, capping a 0.11% second quarter gain and trimming its YTD loss to 0.83%. Likewise, longer-term U.S. Government bonds jumped 1.65%, cutting its second quarter and YTD losses to 1.80% and 4.99%, respectively.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) rose just 0.07% for the quarter. Non-investment-grade High-Yield corporate bonds performed best, climbing 1.09% in the second quarter. Municipal Bonds (+1.53%) led in June, outperforming Treasuries, but declined 0.02% for the quarter.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The **Bloomberg U.S. Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The **Bloomberg U.S. Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Nasdaq Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDIX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.