WEEKLY MARKET UPDATE | JUNE 14, 2024

Investors end the week with mixed emotions.

The economy

- Major U.S. equity market indexes saw mixed performance during the week ending June 14. A rally in technology stocks and signs of slowing inflation were partially offset by somewhat disappointing economic and monetary policy projections from the Federal Reserve (Fed). The tech-heavy Nasdaq Composite Index and the broad-market S&P 500 Index finished in positive territory, touching multiple new highs during the week, while the Dow Jones Industrial Average, which has less exposure to the tech sector, declined modestly.
- As widely anticipated, the Federal Open Market Committee (FOMC) left the federal-funds rate unchanged in a range of 5.25% to 5.50% following its meeting on June 11-12. In a statement announcing the rate decision, the FOMC noted, “Inflation has eased over the past year but remains elevated. In recent months, there has been modest further progress toward the Committee’s 2 percent inflation objective.” The FOMC’s acknowledgement of “further progress” in achieving the inflation target came in contrast to the statement following its previous meeting on May 1, in which the Committee cited the “lack of progress” toward its objective.
- The Fed’s so-called dot plot of economic projections indicated a median federal-funds rate of 5.1% at the end of 2024, up from its previous estimate of 4.6% issued in March, signaling that the central bank anticipates just one federal-funds rate cut of roughly 25 basis points (0.25%) by the end of this year. The Fed estimated that core inflation, as measured by the core personal-consumption-expenditures (PCE) price index, will end the year at an annual rate of 2.6%—modestly higher than the central bank’s 2.4% projection in March. The PCE price index is the Fed’s preferred gauge of inflation, as it tracks the change in prices that consumers pay for a more comprehensive set of goods and services than that of the consumer-price index (CPI).
- At a news conference following the FOMC meeting, Fed Chair Jerome Powell commented that, while the central bank has not pivoted to rate cuts, no FOMC member anticipates the need for a rate hike. Powell said, “We've always been pointing to cuts at a certain point. Not to eliminate the possibility of hikes, but no one has that as their base case.” The Fed chair acknowledged progress in slowing inflation, “a good level” of economic growth, and a robust labor market. “Now, ultimately, we think rates will have to come down to continue to support that,” Powell noted. “But so far, they haven't had to. And that's why we're watching so carefully for signs of weakness.”
- According to the Department of Labor, the CPI was flat in May, declining from the 0.3% increase in April. The 3.3% year-over-year advance in the index, down from the 3.4% annual rise in April, was slightly below expectations. Housing costs rose 0.4% and 5.4% in May and over the previous 12 months, respectively, while food prices posted corresponding increases of 0.1% and 2.1%. Energy prices declined 2.0% in May, but were up 3.7% year-over-year. The 3.4% rolling 12-month rise in core inflation in May, as measured by the CPI for all items less food and energy, was down 0.2 percentage point from the year-over-year upturn for the previous month, and represented the smallest annual increase since April 2021.
- Regarding inflation at the wholesale level, the Department of Labor announced that the producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services, unexpectedly dipped 0.2% in May, down sharply from the 0.5% increase in April. The PPI’s 2.2% advance over the previous 12-month period was marginally lower than the 2.3% annual rise in April. Core wholesale inflation, as measured by the PPI less food, energy, and trade services, was flat in May, a decline from the 0.5% month-over-month increase in April. The index rose 3.2% over the previous 12-month period, unchanged from the upturn in April.

Stocks

- Global equities ended mixed during the week. Emerging markets outperformed developed markets.
- U.S. stocks also were mixed for the week. Information technology and real estate were the top-performing sectors, while energy and financials lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield fell to 4.22% during the week.
- Global bond markets recorded positive returns for the week.
- Corporate bonds led the markets, followed by high-yield bonds and government bonds.

The Numbers as of June 14, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.7%	10.0%	16.7%	799.7
MSCI EAFE ($)	-1.4%	4.4%	8.0%	2334.8
MSCI Emerging Mkts ($)	0.2%	5.1%	5.1%	1075.5
US & Canadian Equities				
Dow Jones Industrials ($)	-0.5%	2.4%	12.2%	38589.2
S&P 500 ($)	1.6%	13.9%	22.7%	5431.6
NASDAQ ($)	3.2%	17.8%	28.3%	17688.9
S&P/ TSX Composite (C$)	-1.7%	3.2%	8.0%	21639.1
UK & European Equities				
FTSE All-Share (£)	-1.3%	4.9%	6.6%	4438.4
MSCI Europe ex UK (€)	-1.9%	8.6%	11.4%	1829.3
Asian Equities				
Topix (¥)	-0.3%	16.1%	19.7%	2746.6
Hong Kong Hang Seng ($)	-2.3%	5.2%	-9.5%	17941.8
MSCI Asia Pac. Ex-Japan ($)	0.3%	6.7%	6.0%	564.3
Latin American Equities				
MSCI EMF Latin America ($)	-3.5%	-19.1%	-13.2%	2155.1
Mexican Bolsa (peso)	-1.5%	-9.1%	-5.7%	52175.0
Brazilian Bovespa (real)	-0.9%	-10.8%	0.4%	119686.1
Commodities ($)				
West Texas Intermediate Spot	4.1%	9.7%	11.3%	78.6
Gold Spot Price	0.7%	12.7%	18.8%	2328.9
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.5%	-2.5%	1.1%	459.7
JPMorgan Emerging Mkt Bond	0.9%	2.3%	9.4%	867.9
10-Year Yield Change (basis points*)				
US Treasury	-22	34	50	4.22%
UK Gilt	-21	53	-32	4.05%
German Bund	-26	34	-14	2.36%
Japan Govt Bond	-3	33	52	0.94%
Canada Govt Bond	-18	17	-5	3.28%
Currency Returns**				
US$ per euro	-0.9%	-3.0%	-2.2%	1.071
Yen per US$	0.4%	11.6%	12.2%	157.38
US$ per £	-0.3%	-0.4%	-0.8%	1.269
C$ per US$	-0.2%	3.7%	3.8%	1.373

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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