Tech difficulties.

The economy

- U.S. equities were mixed during the week ending July 19. There was notable divergence in performance among market capitalizations and sectors over the period. Investors continued to favor small-cap stocks, which typically outperform large caps in declining interest-rate environments, at the expense of the mega-cap technology stocks that had led the U.S. equity market rally for most of 2024. However, small-cap stocks gave back most of their gains on Thursday and Friday. The Dow Jones Industrial Average and the Russell 2000 Index, a small-cap market benchmark, ended the week in positive territory, while the tech-heavy Nasdaq Composite Index and the broad-market S&P 500 Index moved lower.
- Investors pivoted to the energy, banking, and health care sectors on their potential to benefit from less stringent regulation if Donald Trump returns to the White House. Shares of chip makers fell sharply amid worries that these companies may face increased U.S. government pressure to deny China access to advanced semiconductor technology. There was more bad news for the tech sector on Friday, when a software update from cybersecurity company CrowdStrike caused a significant tech outage that affected banks, airlines, and emergency services worldwide. In a social media post, CrowdStrike's CEO announced that the company had identified and resolved the issue, noting that it was not a security incident or cyberattack.
- The Census Bureau reported that U.S. retail and food services sales—a gauge of consumer spending, which comprises more than two-thirds of the nation's gross domestic product (GDP)—were virtually flat in June, following a 0.3% upturn in May, and rose 2.3% over the previous 12-month period. Nonstore retailers, food services and drinking places, and clothing and clothing accessories stores posted the most notable year-over-year gains. Excluding sales of motor vehicles and parts, which fell 2.0% in June due to a massive cyberattack on auto dealerships, retail sales posted a greater-than-expected increase of 0.4% for the month, and were up 3.4% from the same period in June 2023.
- According to the Department of Labor, initial unemployment insurance claims, a barometer of the health of the labor market, climbed 20,000 to 243,000 during the week ending July 13. The total represented an increase from the 231,000 claims filed during the same week in 2023. The four-week moving average of initial claims rose 1,000 week-over-week to 234,750, but was down 2,500 from the four-week average of 237,250 a year earlier.
- The Conference Board Leading Economic Index® (LEI), which is designed to signal peaks and troughs in the U.S. business cycle, dipped 0.2% to 101.1 in June. The LEI was down 1.9% for the six-month period of January 1 to June 30, but represented improvement from the 2.9% decline over the previous six-month period. The downturn in the index for June was attributable mainly to weakness in consumer expectations, a decrease in new orders, and an increase in initial claims for unemployment insurance.
- There was some notable news during the week concerning the U.S. real estate market. The Census Bureau reported that new housing starts, a gauge of the health of the residential real estate market, climbed 3.0% in June, exceeding expectations, but declined 4.4% over the previous 12-month period. The number of building permits, an indicator of new construction activity in the near term, rose 3.4% for the month, but was down 3.1% year-over-year.
- The Mortgage Bankers Association (MBA) announced that mortgage applications in the U.S. increased 3.9% during the week ending July 12, compared to the previous seven-day period. The MBA's Refinance Index surged 15.0% and 37.0% for the week and over the previous 12-month period, respectively. The Purchase Index dipped 3.0% for the week, but advanced 22.0% year-over-year. The MBA attributed the increase in applications to a decline in interest rates. According to the Federal Home Loan Mortgage Corporation (Freddie Mac), the average interest rate on a 30-year fixed-rate mortgage fell 12 basis points (0.12%) to a four-month low of 6.77% during the week ending July 18. However, the average rate remained well above the low of 2.65% reached in early January 2021.

Stocks

- Global equities recorded negative returns during the week. Developed markets narrowly outperformed emerging markets.
- U.S. stocks were mixed for the week. Energy and real estate were the top-performing sectors, while information technology and communication services lagged. Value stocks led growth, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.24% during the week.
- Global bond markets were mixed during the week.
- High-yield bonds led the markets, followed by government bonds and corporate bonds.

The Numbers as of July 19, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.3%	12.4%	17.1%	817.5
MSCI EAFE ($)	-1.5%	6.5%	9.2%	2382.6
MSCI Emerging Mkts ($)	-1.6%	8.0%	8.6%	1106.0
US & Canadian Equities				
Dow Jones Industrials ($)	0.7%	6.9%	14.4%	40287.5
S&P 500 ($)	-2.0%	15.4%	21.4%	5505.0
NASDAQ ($)	-3.6%	18.1%	26.1%	17726.9
S&P/ TSX Composite (C$)	0.1%	8.3%	11.0%	22690.4
UK & European Equities				
FTSE All-Share (£)	-1.1%	5.7%	7.1%	4473.4
MSCI Europe ex UK (€)	-2.6%	7.7%	10.6%	1814.4
Asian Equities				
Topix (¥)	-1.2%	20.9%	26.5%	2860.8
Hong Kong Hang Seng ($)	-4.8%	2.2%	-8.0%	17417.7
MSCI Asia Pac. Ex-Japan ($)	-1.4%	9.4%	9.6%	578.6
Latin American Equities				
MSCI EMF Latin America ($)	-3.0%	-15.4%	-9.2%	2252.6
Mexican Bolsa (peso)	-2.6%	-6.7%	0.0%	53551.8
Brazilian Bovespa (real)	-1.0%	-4.9%	8.1%	127657.1
Commodities ($)				
West Texas Intermediate Spot	0.7%	15.6%	9.5%	82.8
Gold Spot Price	-0.7%	16.1%	21.9%	2399.7
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.2%	-1.3%	1.7%	465.4
JPMorgan Emerging Mkt Bond	-0.3%	3.2%	8.7%	875.7
10-Year Yield Change (basis points*)				
US Treasury	6	36	39	4.24%
UK Gilt	1	59	-15	4.12%
German Bund	-3	45	-2	2.47%
Japan Govt Bond	-2	43	58	1.04%
Canada Govt Bond	-1	29	-10	3.40%
Currency Returns**				
US$ per euro	-0.2%	-1.4%	-2.2%	1.088
Yen per US$	-0.2%	11.6%	12.4%	157.47
US$ per £	-0.6%	1.4%	0.3%	1.291
C$ per US$	0.7%	3.7%	4.2%	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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