



Philip Blancato, Chief Market Strategist, Osaic

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ECONOMIC REVIEW¹

- Last week was a light economic week with only a few major data releases. The University of Michigan Consumer Sentiment Index, which measures consumer confidence, fell greater than expected to 67.4. This reading was below the 76.0 forecast and marks the lowest reading in six months.²
 - In the report consumers indicated concerns about inflation, unemployment, and interest rates.
 - Consumer inflation expectations for the year ahead also increased from last month to 3.5%.
 - Long-run inflation expectations moved up slightly from last month to 3.1%.
 - As a comparison, long-run inflation expectations in the years pre-pandemic were in the 2.2 to 2.6% range.
- The Federal Reserve (Fed) released its Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS) for April.
 - The report showed that there were generally tighter lending standards and weaker demand for business and commercial real estate loans.
 - For loans to households, lending standards tightened across some categories of residential real estate and demand weakened.
 - For credit card, auto, and other consumer loans lending standards tightened, and demand weakened.³

How does consumer sentiment impact and SLOOS impact you?

- The consumer sentiment index, which measures consumer confidence levels regarding the economy, buying conditions, and personal finances is an important indicator of how consumers feel.
 - If consumers are feeling more cautious about inflation and unemployment, then they may cut back on spending and consumption which can negatively impact economic growth.
- The SLOOS report provides an important look into lending and credit availability, which is necessary for economic growth and gives the Fed more insight into lending conditions which they can incorporate into their decisions.



A LOOK FORWARD¹

- This week the Producer Price Index (PPI) and Consumer Price Index (CPI) data will be released.
- Retail sales, released on Wednesday, is another economic report that will also be closely watched.

How does consumer sentiment impact you?

- Another above-expected inflation reading this week may continue to give the Fed hesitation to cut rates as significant progress on inflation has stalled to start the year. Higher inflation coupled with a moderating labor market may keep interest rates higher for longer. The Fed delaying rate cuts makes it more expensive for consumers when financing bigger ticket items such as cars and homes.
- Retail sales will provide a key insight into whether consumer spending, which makes up nearly 70% of U.S. GDP, remained strong in April.



MARKET UPDATE⁴

Market Index Returns as of 5/10/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.89%	-0.47%	10.03%	28.41%	9.64%	14.51%
NASDAQ	1.17%	-0.18%	9.12%	33.60%	7.70%	16.55%
Dow Jones Industrial Average	2.20%	-0.61%	5.48%	21.09%	7.01%	11.10%
Russell Mid-Cap	2.00%	-2.08%	6.34%	22.73%	3.93%	10.19%
Russell 2000 (Small Cap)	1.21%	-2.95%	2.07%	19.89%	-0.91%	6.98%
MSCI EAFE (International)	1.77%	0.47%	6.29%	13.10%	3.54%	7.42%
MSCI Emerging Markets	0.98%	3.02%	5.46%	12.53%	-4.47%	3.28%
Bloomberg US Agg Bond	0.09%	-1.20%	-1.97%	-0.32%	-3.06%	0.07%
Bloomberg High Yield Corp	-0.02%	-0.02%	1.46%	10.34%	1.77%	4.01%
Bloomberg Global Agg	-0.10%	-1.37%	-3.43%	-1.54%	-5.72%	-1.47%



OBSERVATIONS

- All major US equity indices were positive for the week, with the Dow Jones leading the market, up 2.20%, and the tech-oriented NASDAQ lagging, which rose 1.17%.
- Mid-caps stocks and small-cap stocks were positive for the week, returning 2.00%, and 1.21%, respectively.
- Both International and Emerging Markets finished the week with positive returns, rising 1.77%, and 0.98% respectively.
 - International indices, which have seen strength in recent weeks, are still trailing the S&P 500 YTD by 3.74%.
- Fixed income returns were mostly muted as investors await inflation data this week.
 - The U.S. aggregate benchmark posted a 0.09% return, while the high yield index and global aggregate benchmark declined -0.02%, and -0.10% respectively.



BY THE NUMBERS

Massachusetts Takes Uber and Lyft to Trial Over Status of Gig Workers: Uber Technologies and Lyft are set to face trial on Monday in a U.S. lawsuit by Massachusetts' attorney general alleging the ride-share companies misclassified their drivers as independent contractors rather than more costly employees. The non-jury trial in Boston comes amid broader legal and political battles in the Democratic-led state and elsewhere nationally over the status of drivers for app-based companies whose rise has fueled the U.S. gig worker economy. Massachusetts Attorney General Andrea Joy Campbell is asking a judge to conclude that drivers for Uber and Lyft are employees under state law and therefore entitled to benefits such as a minimum wage, overtime, and earned sick time. Studies have shown that using contractors can cost companies as much as 30% less than using employees. Uber and Lyft argue that they properly classified the drivers, saying they are not transportation companies that employ drivers but technology companies whose apps facilitate connections between drivers and potential riders.⁵

Billionaire Quant Investing Pioneer and Philanthropist James Simons dies at 86: Billionaire investor James Simons, the mathematician and Cold War codebreaker who founded one of the world's most prominent and profitable hedge funds, Renaissance Technologies, has died at 86, his foundation said on Friday. He founded Renaissance in 1978 in East Setauket, New York, 70 miles east of Wall Street. He quickly forged a new way to invest, laying the foundations of quantitative trading that has been embraced by dozens of firms in recent years. Renaissance, whose Medallion Fund delivered average annual returns of more than 60% over three decades, became one of the world's most successful hedge funds under Simons. He is survived by his wife, three children, five grandchildren, and a great-grandchild.⁶

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS): Quarterly survey of up to 80 large domestic banks and 24 branches of international banks by the Federal Reserve. Information is gathered on how bank loan officers feel about recent and potential policy changes, the standards and terms of bank lending practices, the state of business and household demand for loans and other products.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US 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 securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal 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 prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 5/10/2024.

² [Surveys of Consumers \(umich.edu\)](https://www.umich.edu/surveys)

³ [The Fed - The April 2024 Senior Loan Officer Opinion Survey on Bank Lending Practices \(federalreserve.gov\)](https://www.federalreserve.gov)

⁴ Data obtained from Morningstar as of 5/10/2024.

⁵ [Massachusetts takes Uber, Lyft to trial over status of gig workers | Reuters](https://www.reuters.com)

⁶ [Billionaire quant investing pioneer and philanthropist James Simons dies at 86 \(msn.com\)](https://www.msn.com)

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