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ECONOMIC REVIEW¹

- The Conference Board's Consumer Confidence Index[®] improved for the first time in four months in May. The index rose to 102.0 this month from April's upwardly revised 97.5. This month's reading was better than expected, exceeding the 96.0 forecast.
 - Meanwhile, the Expectations Index, which is based on consumers' short-term outlook for income, business, and labor market conditions, rose to 74.6 in May from 68.8 in April. Note that a level of 80 or below for the Expectations Index historically signals a recession within the next year.
- In the week ending May 25, the advance figure for seasonally adjusted initial jobless claims was 219,000, an increase of 3,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 215,000 to 216,000. The 4-week moving average was 222,500, an increase of 2,500 from the previous week's revised average. The previous week's average was revised up by 250 from 219,750 to 220,000.
- The latest headline Personal consumption expenditures (PCE) price index rose 0.3% month-over-month (MoM), as expected. On an annual basis, headline PCE was flat at 2.7% in April, as expected.
 - Core PCE, the Federal Reserve (Fed's) favored measure of inflation, was up 0.2% from March and was flat at 2.8% year-over-year (YoY). Inflation was expected to increase 0.3% MoM and remain at 2.8% YoY.

How does consumer confidence, initial claims and PCE impact you?

- The improvement in the Consumer Confidence Index in May indicates increased optimism among consumers, which could boost spending and economic growth. The rise in the Expectations Index suggests a more positive short-term outlook, despite potential recession signals.
- The steadiness of initial jobless claims, combined with a PCE reading in line with expectations, gives the Fed more confidence to proceed with the anticipated rate cut in December. The Federal Reserve's dual mandate is to achieve maximum employment and maintain price stability.
- Lower interest rates would be beneficial for consumers by reducing borrowing costs for mortgages, car loans, and credit cards, thereby increasing disposable income and encouraging spending. This could also boost economic growth and job creation, further strengthening the labor market and overall economy.



A LOOK FORWARD¹

- The first week of June is packed with economic data releases, including the ISM manufacturing and services readings for May.
- Additionally, the May jobs report will be released on Friday, providing further insight into unemployment and labor market participation rates.

How does manufacturing, services and labor market data impact you?

- The April jobs report indicated a softening labor market, with only 175,000 jobs added, marking the slowest gain in six months. However, other employment indicators suggest no imminent weakening. It is crucial for the May jobs report to show strength to support continued confidence in the labor market.



MARKET UPDATE²

Market Index Returns as of 5/31/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.49%	0.67%	11.30%	26.91%	9.58%	15.80%
NASDAQ	-1.09%	2.30%	11.82%	28.71%	7.64%	18.53%
Dow Jones Industrial Average	-0.88%	-2.47%	3.52%	19.42%	5.95%	11.62%
Russell Mid-Cap	-0.68%	-2.70%	5.66%	22.08%	2.96%	11.06%
Russell 2000 (Small Cap)	0.04%	-2.37%	2.68%	18.86%	-2.02%	8.61%
MSCI EAFE (International)	-0.05%	1.21%	7.07%	16.89%	2.84%	8.05%
MSCI Emerging Markets	-3.10%	1.01%	3.41%	12.00%	-6.56%	3.55%
Bloomberg US Agg Bond	0.04%	-0.87%	-1.64%	1.08%	-3.05%	-0.17%
Bloomberg High Yield Corp	-0.01%	0.15%	1.63%	10.89%	1.75%	4.19%
Bloomberg Global Agg	-0.08%	-1.25%	-3.30%	0.33%	-5.80%	-1.62%



OBSERVATIONS

- Equities were down across the board last week. The NASDAQ led the way down, returning -1.09%, the Dow Jones Industrial Average fell -0.88% and the S&P 500 was down -0.49%.
- Equity performance was better for small caps, which provided the only positive return for the week, rising 0.04%. Mid-caps on the other hand were negative for the week, falling -0.68%.
- International and emerging markets also sold off for the week, returning -0.05% and -3.10%, respectively.
- Bond returns were slightly positive domestically, but negative globally, and across the credit spectrum.



BY THE NUMBERS

Caitlyn Clark's Sparks: It's been an up-and-down start to the 2024 WNBA season for rookie No. 1 draft pick Caitlin Clark. Her Indiana Fever have lost eight of their nine contests so far, and she's endured more games in single-digit scoring than she had in her entire college career at Iowa. But there are still plenty of signs of the player who electrified fans in college and became the all-time NCAA Division I career leader in points. On Tuesday night against the Los Angeles Sparks, Clark produced the first 30-point game of her young pro career, adding six assists, five rebounds, three steals and three blocks. And as ESPN also noted among her most important statistics: "The Fever drew a near-sellout crowd of 16,013 on a Tuesday night."³

Economic Impact Could Follow Hot Water: Waters in the tropical portion of the Atlantic Ocean, around the Caribbean, are hotter than they have been for any other late May on record. The area is averaging around 84.7 degrees Fahrenheit, a temperature the waters usually don't hit until August and September after a summer of warming up. This is bad for a lot of reasons, including the future of coral reefs, which are already experiencing a fourth global bleaching event this year, according to NOAA. The previous record-breaking May for sea temperatures in the area was in 2005, a notorious year that brought one of the most destructive and active hurricane seasons ever for the U.S.⁴

Economic Definitions

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

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Conference Board Consumer Confidence Index: The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries

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 5/31/2024.

² Data obtained from Morningstar as of 5/31/2024.

³ https://www.espn.com/wnba/story/_/id/40236974/caitlin-clark-scores-season-high-30-points-indiana-fever-lose-los-angeles-sparks

⁴ <https://yaleclimateconnections.org/2024/05/what-you-need-to-know-about-record-breaking-heat-in-the-atlantic/>

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