MONTHLY MARKET UPDATE

June 2024

OPAL WEALTH ADVISORS

Key market centric drivers during the month of June included central bank policy meetings (FOMC, ECB, BoJ), several high profile elections (India, France, EU), continued dominance of large cap tech/shadow tech companies, and a plethora of closely watched economic indicators on the labor market, inflation, and growth dynamics.

Global equity markets added to May's rally with a +2% move in June to wrap up a strong first half of 2024. Looking more closely at global equity markets, the move in June was a bit narrower with the U.S. benefiting from exceptional strength across the technology sector and while emerging markets (Ex-China) posted strong gains led by a 7% rally in India. The risk-on soft landing narrative drove U.S. risk markets in June but globally, we saw uneven outcomes across pro-cyclical (industrial metals, emerging market stocks) and counter-cyclical (USD, healthcare) suggesting some uncertainty with respect to the growth environment going forward. Ultimately, U.S. equity markets set several new record highs while Eurozone markets experienced heightened volatility due to some unforeseen election outcomes (EU, France).

U.S. bond yields fell in June in a relatively parallel fashion with 10yr falling 15 bps to yield 4.36% and the 2yr falling 18 bps to yield 4.71%. High yield credit spreads at 3.21%, were essentially unchanged, remaining well below their long-term average of 5.33%

Economic indicators detailed below projected a sense of slowing labor demand, economic growth, and inflation. A slowdown in job creation and commensurate small increase in the headline unemployment rate is most certainly a welcomed development from the Fed's perspective in their effort to cool down wage growth and inflation dynamics. Economic growth has also begun to cool from the 4.9%/3.4% QoQ growth in the last half of 2023 to 1.4% in Q124 and a projected 1.5% (Atlanta Fed GDPNow) growth rate for Q224. PMI survey-based data for June are also indicating a slowing economic momentum. The Fed's goal of reducing inflation, which seemed to be moving the wrong direction earlier this year, has re-established itself with sequential reductions in monthly inflation data (PCE, CPI). Resulting monetary policy in the U.S. is currently premised on rate cuts (25bps) beginning in September with potential for one more before year end. However, FOMC officials are consistently referencing the need to see disinflation trends continue in the coming months as they see more work is yet to be done.

Market Anecdotes

- With a strong first half 2024 in the books for equity markets, Bloomberg sent out a constructive reminder of what history suggests for the remainder of the year while a Ned Davis piece noted just how difficult this year has been for active stock pickers.
- A look at history after a > 10% 1st half for the S&P tells us that the rest of the year is positive better than 80% of the time with the average return hovering around 8%.
- An interesting piece from FactSet noted that, despite widespread expectations of economic slowdown, Wall Street analysts lowered second quarter earnings estimates by a smaller amount than average during the quarter, only 0.5% versus an average of approximately 3.4%.
- A research note from J.P. Morgan illustrated important differences among large, mid, and small companies with respect to profitability and interest coverage ratios with large cap blue chips looking relatively insulated relative to their smaller peers.
- An interesting AI thesis from BCA suggests either interest rates, or a recession-oriented pull back in AI investment from big tech will be the likely culprits for taking the wind out of the AI sails with the former being much more likely than the latter.
- Alpine Macro recently joined BCA in forecasting a possible 'soft patch' this summer based on what they see as a weakening labor market/consumer. They see slowing demand for oil with WTI down 12% since April and a UST rally since late April as potential confirmation.
- The Conference Board's U.S. LEI has been flashing

red since July 2022 and, while still contracting, the magnitude of contraction has been narrowing since April 2023. While this suggests a recession may be averted, there are many other factors still signaling choppy waters ahead.

Economic Release Highlights

- June Payrolls increased 206,000, near last month's 218,000 and slightly above the consensus forecast of 189,000. Average Hourly Earnings of 0.3% MoM and 3.9% YoY were in line with forecasts and Labor Market Participation moved one tick higher to 62.6%.
- The Unemployment Rate in June registered 4.1%, a slight increase from May's 4.0% level and above the consensus forecast of 4.0%.
- June PCE inflation report came in right on top of the consensus forecast for both headline and core at 2.6% alongside MoM readings of headline (0%) and core (0.1%). Personal income grew slightly more than forecast (0.5% vs 0.4%) and PCE undershot slightly (0.2% vs 0.3%).
- Headline (3.0% vs 3.1%) and Core (3.3% vs 3.5%) CPI along with MoM Headline (-0.1% vs 0.1%) and Core (0.1% vs 0.2%) declined from the prior month and came in below forecasts.
- Headline (2.2% vs 2.5%) and Core (2.3% vs 2.4%) PPI along with MoM Headline (-0.2% vs 0.1%) and Core (0.0% vs 0.3%) declined from the prior month and came in below forecasts.
- U.S. PMI for June beat consensus forecasts for both manufacturing (51.6 vs 51.0) and services (54.8 vs 53.7) with the composite coming in at a healthy 54.8.
- Eurozone PMI for June came in below forecast for both manufacturing (45.8 vs 48.0) and services (52.8 vs 53.3) pulling the composite (50.9 vs 52.4) down notably versus prior month. UK (C,M,S) also missed to the downside with readings at (52.3, 50.9, 52.1).
- The June ISM Services Index slowed unexpectedly from May's 53.8 to 48.8, also well below consensus forecast of 53.0. The June ISM Manufacturing Index of 48.5 was slightly under consensus forecast of 49.1.
- The JOLT Survey for revealed 8.140M job openings, higher than consensus call for 7.9M.
- Retail Sales came in below consensus on the headline (0.1% vs 0.3%) as well as the Ex-Vehicles & Gas (0.1% vs 0.3%) reading.
- The final revision of the UofM Consumer Sentiment Index registered 68.2, above consensus 65.7 and an increase from the prior release of 65.6.
- The Conference Board June Consumer Confidence Index fell as expected to 100.4 versus consensus call of 100.0.
- New Home Sales came in softer than forecasted (619k vs 650k) and declined from last month's annualized pace of 698k. Existing Home Sales of 4.11mm were generally in line with expectations of 4.10mm, down slightly versus the prior month. Pending Home sales fell 2.1%, missing the forecast of 1.9% growth.
- Housing Starts (1.277mm) and Permits (1.386mm) both came in under consensus forecast, continuing the cooling trends seen of late.
- The Housing Market Index softened slightly from 45 to 43 for the June reading. The Case-Shiller Home Price Index reported a 7.2% YoY increase in price versus a 7.0% consensus expectation.

Outlook

Our neutral stance over the short term remains unchanged with regard to risk assets but we do see reason for caution over our 12-24 month forecast horizon where we see risks to growth and continued evidence of labor market deterioration materializing due in large part to persistently higher policy and market interest rates. Our base case view is for these conditions to express themselves in financial markets over the next 18 months.

Continue favoring periodic tactical (0-6 months) asset allocation shifts and rebalancing/profit taking, particularly when equity markets become extended (short term overbought). We remain neutral from a growth/value style perspective and continue to favor quality U.S. equity markets over non-U.S. on balance.

Recommended fixed income positioning remains neutral from a duration perspective but underweight credit (investment grade, high yield, bank loans) over a 12-24 month forecast horizon in sympathy with our view on risk assets.

Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr
Dow Jones	39119	1.23	(1.27)	4.79	16.02	6.42
NASDAQ	17733	6.03	8.47	18.57	29.61	7.78
S&P 500	5460	3.59	4.28	15.29	24.56	10.01
Russell 1000 Growth		6.74	8.33	20.70	33.48	11.28
Russell 1000 Value		(0.94)	(2.17)	6.62	13.06	5.52
Russell 2000		(0.93)	(3.28)	1.73	10.06	(2.58)
Russell 3000		3.10	3.22	13.56	23.13	8.05
MSCI EAFE		(1.59)	(0.17)	5.75	12.09	3.43
MSCI Emg Mkts		4.01	5.12	7.68	12.97	(4.68)
Fixed Income		**1 Mo**	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**
US Aggregate		0.95	0.07	(0.71)	2.63	(3.02)
High Yield		0.97	1.09	2.62	10.45	1.65
Municipal		1.53	(0.02)	(0.40)	3.21	(0.88)

Commodities	6/30/24	4/30/24	1/31/24	10/31/23
Oil (WTI)	83.63	83.49	76.28	81.64
Gold	2330.90	2307.00	2053.30	1996.90

Currencies	6/30/24	4/30/24	1/31/24	10/31/23
USD/Euro ($/€)	1.07	1.07	1.08	1.06
USD/GBP ($/£)	1.26	1.25	1.27	1.21
Yen/USD (¥/$)	160.88	157.54	146.26	151.46

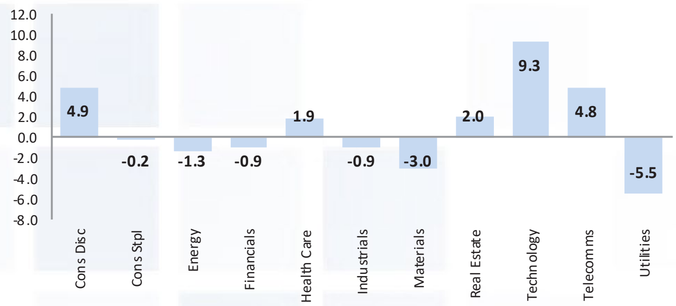
Treasury Rates	6/30/24	4/30/24	1/31/24	10/31/23
3 Month	5.48	5.46	5.42	5.59
2 Year	4.71	5.04	4.27	5.07
5 Year	4.33	4.72	3.91	4.82
10 Year	4.36	4.69	3.99	4.88
30 Year	4.51	4.79	4.22	5.04

Style Returns

	V	B	G
L	-0.94	3.31	6.74
M	-1.60	-0.66	1.67
S	-1.69	-0.93	-0.17

MTD

S&P 500 Sector Returns



MTD

	V	B	G
L	6.63	14.24	20.70
M	4.54	4.96	5.98
S	-0.85	1.73	4.44

YTD

YTD

OPAL WEALTH ADVISORS

Opal Wealth Advisors / 2 Jericho Plaza / Suite 208 / Jericho, NY 11753 / t. 516.388.7980 / f. 516.388.7968 / **opalwealthadvisors.com**