Cetera® Investment Management

July 2024 Recap

Monthly Recap

At-A-Glance

The S&P 500 returned just over 1.2% in July, capping its third monthly gain, and up 10.05% since the end of April. Year-to-date (YTD), the S&P 500 has gained 16.70%, extending its bull run return to 35.61% since its last correction low on 10/27/2023.

The Dow Jones Industrial Average surged 4.51% last month, ending its first month above the 40,000 level. The Dow-30 index is up 9.52% YTD.

The Nasdaq Composite ended fractionally lower in July, off 0.73%, after surging in June (+6.03%) and May (+6.98%). The tech-heavy index is up 17.71% YTD.

The benchmark 10-year Treasury yield ended lower in July, down 0.32% at 4.054% for its largest monthly decline of the year.

Bloomberg's Commodities Index retreated 4.04% in July, trimming its YTD gain to just 0.90%. Gold futures surged 5.7%. U.S. WTI crude oil tumbled 4.5% in July, ending at $77.91/barrel.

Market Indices[1]	July	Year-to-Date
S&P 500	1.22%	16.70%
Russell 3000	1.86%	15.67%
Russell 2000	10.16%	12.07%
MSCI EAFE	2.93%	8.43%
MSCI Emerging Markets	0.30%	7.81%
Bloomberg U.S. Aggregate Bond	2.34%	1.61%
Bloomberg U.S. Municipal Bond	0.91%	0.50%
Bloomberg U.S. Corporate High Yield	1.94%	4.58%

[1]FactSet (all equity performance is total return, which includes dividends).

U.S. equities were mostly higher in July, marked by heightened volatility and rotational trading. The S&P 500 netted a 1.22% return in July. The tech-heavy Nasdaq Composite ended slightly negative, down 0.73% while the Nasdaq 100 (the 100 largest stocks in the Nasdaq Composite) fell more than twice as much, off 1.59%. July was a tale of two halves with widely diverging performance amid contrasting economic data and prospects for easing interest rates. The S&P 500 added 3.78% in the first half of the month while falling 2.56% during the second half of the month. The S&P 500 set seven new record highs in July, with its 38th record high in 2024.

The Dow Industrials outperformed, gaining over 4.5% amid Wall Street's rotation into broader cyclical areas for the market. The small cap-focused Russell 2000 index, surging nearly 10.2% for its best month dating back to February 2000.

Investors cheered the latest disinflationary readings released in July. The core consumer price index (CPI) that excludes volatile food and energy items, rose 3.3% annualized year-over-year in June, down from 3.4% in May and 3.6% in April. Meanwhile the Fed's preferred inflation gauge, the core Personal Consumption Expenditures (PCE) price index, rose 2.8%, its lowest annual Y/Y gain in over three years. These reports boosted expectations for the Fed to begin cutting interest rates in September, which in turn energized cyclical rotational buying that included smaller cap stocks that tend to be more sensitive to borrowing costs.

As widely expected, the Federal Reserve left interest rates unchanged at their July meeting, keeping their fed funds target range steady at 5.25% to 5.50%. However, the Fed's policy statement included a shift from a tightening to a neutral bias, signaling policymakers are laying the groundwork for a likely 0.25% rate cut at their next policy meeting in September. Including September's expected easing, the market is now pricing in nearly 0.75% in rate cuts by the end of this year.

With the second quarter earnings season now more than two-thirds complete, 78% of S&P 500 reporting firms have topped analysts' earnings expectations. The blended earnings growth rate is 10.9%, according to FactSet.

While most styles and sizes finished positive last month, Large cap Growth (-1.70%) proved to be the lone exception. This occurred as investors shifted out of Big Tech growth stocks into smaller cap value/cyclically oriented market segments. Small cap Value outperformed Large cap Growth by over 15%. Despite July's rotational gains, the YTD picture continues to reflect strong outperformance in Large cap Growth stocks.

July Returns

	Value	Blend	Growth
Large Cap	5.11%	1.46%	-1.70%
Mid Cap	6.04%	4.71%	0.61%
Small Cap	12.19%	10.16%	8.19%

YTD Returns

	Value	Blend	Growth
Large Cap	12.08%	15.90%	18.65%
Mid Cap	10.86%	9.91%	6.62%
Small Cap	11.23%	12.07%	12.99%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which includes dividends. Investors cannot invest directly in indexes. Data as of 7/31/2024.

Amidst July's rotational shifting, Real Estate, Utilities and Financials posted the strongest sector gains, while Technology (-2.09%) and Communication Services (-4.01%) were the only monthly laggards. Those same two July laggards do, however, remain this year's top performers. Moreover, while YTD sector leadership remain highly concentrated in Big Tech and Communication Services, sector gains have broadened considerably, with eight of the 11 major sectors now posting double-digit YTD percentage returns. Uniquely, Real Estate was the biggest July outperformer (+7.22%) as well as being the smallest YTD gainer (+4.59%).

Top Sector Performers – July[1]	Bottom Sector Performers – July[1]
Real Estate (+7.22%)	Consumer Discretionary (+1.66%)
Utilities (+6.79%)	Technology (-2.09%)
Financials (+6.46%)	Communication Services (-4.01%)
Top Sector Performers – YTD[1]	**Bottom Sector Performers – YTD[1]**
Technology (+25.57%)	Materials (+8.61%)
Communication Services (+21.60%)	Consumer Discretionary (+7.41%)
Financials (+17.29%)	Real Estate (+4.59%)

[1] FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends)

Foreign developed equities outperformed relative to the U.S. last month with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) gaining 2.93%, more than twice the S&P 500's 1.22% return. In MSCI country-specific indices, Japan and the United Kingdom advanced respectively by 5.80% and 4.85% in July. Emerging markets recorded a small positive return of 0.30% in July. Taiwan (-4.28%) continued to retrace prior gains, trimming its still impressive YTD gain to 23.86%. Thailand (+5.82%) and South Africa (+5.18%) were the top performers in July, followed by India (+3.97%). China fell 1.33% in July.

Turning to fixed-income markets, the yield on 10-year Treasury notes skidded 0.32% to end July at 4.054%. With Treasury prices rallying, driving yields lower, the Bloomberg U.S. Government Index advanced 2.17%, lifting its YTD return into positive territory, up 1.33%. The longer-duration Bloomberg index of U.S. Government long-term bonds surged 3.57%, its best month of the year, trimming its YTD loss to 1.59%.

On a broader basis, investment-grade bonds of all types, as measured by the Bloomberg U.S. Aggregate Bond Index, also performed well, returning 2.34% in July. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, climbing 1.94% in July while Municipal bonds rose a lesser 0.91%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on X.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman 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 debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond 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. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable 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, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.