



**The Weekly Market Update – 7/8/24: Jobs Report Helps the Fed**

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,567.19	1.95%	1.95%	16.72%	25.09%	5,567.19	0.0%
Dow Jones Industrial Average	39,375.87	0.66%	0.66%	4.47%	14.44%	40,003.59	1.6%
NASDAQ Composite	18,352.76	3.50%	3.50%	22.26%	33.11%	18,352.76	0.0%
Russell 2000	2,026.73	-1.02%	-1.02%	-0.02%	7.31%	2,442.74	20.5%
MSCI EAFE (USD)	2,364.30	2.15%	2.15%	5.73%	10.91%	2,398.71	1.5%
MSCI Emerging Markets (USD)	1,104.88	1.71%	1.71%	7.93%	11.66%	1,444.93	30.8%
Bloomberg Commodity Index	102.50	1.50%	1.50%	3.91%	1.01%	237.95	132.1%
Barclays U.S. Aggregate Bond	90.50	0.60%	0.60%	-1.31%	0.79%	112.07	23.8%

Source: FactSet

**The U.S. labor market is decelerating despite June jobs gains that were better than expected.** According to the Bureau of Labor Statistics (BLS), U.S. nonfarm payrolls (jobs) increased by +206 thousand (K) in June, exceeding the +190K FactSet consensus estimate. The solid June report was offset by revisions lower for previously reported April and May jobs totaling -111K. The 3-month average monthly jobs increase was +177K, the first time in 2024 below +200K and the lowest 3-month average gain since January 2021. The unemployment rate rose to 4.1%, up from 4.0% in May (the highest level in 2½ years). A year ago, in June 2023, the unemployment rate was 3.6%. June wages, as measured by average hourly earnings, increased +3.9% year-over-year (Y/Y), continuing a 2024 trend lower from +4.4% Y/Y wage growth in January. In our view, the June data reflected a slowing U.S. labor market and could lead to slower consumer spending as well. The report fits the U.S. Federal Reserve Bank's (Fed) position that moderating, yet still positive, economic growth will alleviate inflation pressure, paving the way for lower interest rates. The Fed manages short-term interest rates by setting a range for its overnight bank lending fed funds target, which has been set at 5.25% to 5.50% since July 2023. The Fed's policy committee has four meetings scheduled between now and year-end (July, September, November, and December). While the fed funds futures market (predicts Fed policy rates using probabilities implied in futures contracts prices) reflects a low chance (just 7%) of the Fed reducing the target rate at its July meeting, the market has priced in a 76% chance of a 0.25% rate cut in September and a 72% chance of an additional 0.25% by year-end. In our view, the Fed, after a pause (no rate cuts) in July, is likely to lower the fed funds target at its 9/18/24 meeting and signal more rate cuts expected in future periods. The risk is that consumer activity declines more rapidly than expected, creating economic headwinds that could weigh on late 2024 earnings.

**Second quarter (2Q24) earnings for the S&P 500 are estimated to grow +9% Y/Y, reflecting the strongest growth since the first quarter of 2022.** While late July and early August will be the most active period for earnings reports from S&P 500 companies, several large, money-center banks are scheduled to report this week, serving as the unofficial start to 2Q "earnings season." Estimated weighted average earnings growth for the S&P 500 Financials sector is +5% Y/Y in 2Q24, a deceleration from +8% growth that was reported in the first quarter. Better-than-expected results would likely set the tone for continued positive investor sentiment, but the expected surge in earnings growth for the index is more dependent upon other sectors. Information Technology, the S&P 500's largest sector by market capitalization (33% of the index as of 7/5/24), is estimated to post +16% Y/Y earnings growth and comprise 35% of the total index earnings growth. Other 2Q24, double-digit percentage increases are estimated from Communication Services +19%, Health Care +17%, Utilities +11%, and Energy +10%.

**The consumer price index (CPI) for June (to be reported on 7/11) is expected to show that Y/Y prices increased +3.1%.** While many watch the Y/Y data for both the headline and core CPI (excludes food and energy prices), the sequential month-to-month (M/M) change is key to measure near-term inflation trends. M/M core CPI is expected to increase +0.2% in June from May, after rising +0.4% for all three months of the first quarter. The Fed would like to see +0.1% or +0.2% for several months to consider inflation tame. More data is needed.

**James D. Ragan, CFA**  
Director of WM Research  
(206) 389-4070  
[jragan@dadco.com](mailto:jragan@dadco.com)

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**Market Indices:** The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The S&P 400 Index is a market cap weighted index comprised of U.S. stocks in the middle capitalization range, generally considered to be between \$200 million and \$5 billion in market value. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. U.S. economic growth: Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. The most recent GDP report can be found at [www.bea.gov](http://www.bea.gov). It is reported by the U.S. Bureau of Economic Analysis (BEA).

**Earnings growth.** We refer to the weighted average (based upon equity market capitalization) of the earnings per shares (EPS) of all S&P 500 companies compared to the prior period (generally year-over-year). We use data as reported in FactSet.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The minutes from the most recent FOMC meeting are [here](#).

The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

We track a measure of wages, average hourly earnings of all private employees, which is calculated and reported on a monthly basis by the U.S. Bureau of Labor Statistics. The data measures average hourly earnings of all private employees on a "gross" basis (includes overtime and late shift work but excludes benefits).

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. Y/Y is year-over-year and M/M is month-over-month.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE).