

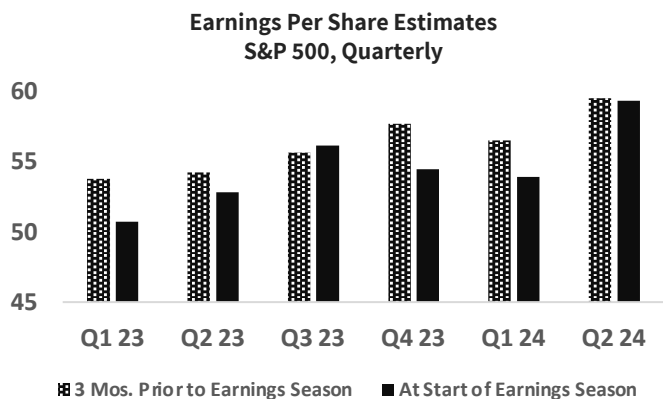
Stay Focused on Earnings

Last week's economic releases delivered a mixed picture. On the one hand, a better-than-expected retail sales report signaled that consumer spending continues to expand—at a slower rate than last year, but expanding nonetheless. Upward revisions to May retail sales added to the market's positive interpretation of the report.

On a less positive note, last week's report on unemployment claims reaffirmed that the labor market is cooling. While Federal Reserve officials might desire that tighter monetary policy lead the labor market to cool, those officials would prefer that the labor market not freeze. Last week's report of modest increases in initial and continuing jobless claims is, at this point, consistent with the former outcome.

Amid these mixed economic signals—and the news that President Joe Biden has withdrawn from the presidential election—investors are at risk of forgetting the most important factor affecting stock returns: earnings. Expectations for this quarter's earnings have remained stable for several months—unlike previous earnings seasons in which estimates have moved lower in the months preceding initial reports. The stability of this quarter's estimates reflects broad optimism on this quarter's earnings, which are now estimated to grow at 9% over the same period last year. Earnings reports from market heavyweights over the next two weeks will prove whether that optimism is well founded.

CHART OF THE WEEK



Source: Bloomberg, as of July 23, 2024.

Index Returns (%)

Equities	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.
S&P 500	5564	-1.17	1.97	17.56	24.50	9.65
Russell 1000 Growth	3697	-2.77	0.77	21.62	32.46	9.93
Russell 1000 Value	1778	0.87	3.61	10.47	13.78	6.54
FTSE High Dividend Yield*	431	0.77	3.62	11.73	15.80	8.86
S&P Small and Mid Cap	17125	1.04	5.43	9.65	14.36	5.43
MSCI EAFE	2367	-1.47	2.32	8.23	12.35	4.26
MSCI EM	1085	-3.05	0.38	8.01	10.03	-3.21

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Index Characteristics

NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld
23.2	16.7	3.0	1.7	1.3
32.1	19.8	5.5	2.0	0.6
17.6	14.9	1.8	1.4	2.1
13.4	14.3	1.6	1.6	4.1
18.0	19.1	1.3	1.2	1.6
15.0	14.7	1.5	1.1	3.0
13.1	12.6	1.4	1.3	2.6

Fixed Income	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.
U.S. Aggregate	4.83	-0.10	1.17	0.45	3.62	-2.92
U.S. Int. Gov/Credit	4.62	-0.10	0.96	1.45	4.81	-1.05
U.S. Corporates	5.31	-0.17	1.30	0.81	5.62	-2.94
High Yield	7.65	0.31	1.53	4.15	10.91	2.05
Municipals (1-10)	3.26	0.14	0.74	-0.04	2.54	-0.28

Levels

Currencies	Last	1 Wk Ago	Prev YE	3 Yrs Ago
DXY	104.45	104.27	101.33	92.82
\$ per €	1.09	1.09	1.10	1.18
\$ per £	1.29	1.30	1.27	1.38
¥ per \$	155.59	158.35	141.04	110.14

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago
2-yr Treasury	4.52	4.42	4.76	4.25	4.92	0.20
10-yr Treasury	4.25	4.16	4.40	3.88	3.87	1.28
30-yr Treasury	4.47	4.37	4.56	4.03	3.93	1.92
3-mo. LIBOR	5.54	5.54	5.59	5.59	5.61	0.13
6-mo. CD rate	5.24	5.24	5.42	5.28	5.73	0.21
Prime Rate	8.50	8.50	8.50	8.50	8.25	3.25
30-yr fixed mortgage	7.21	7.17	7.26	6.99	7.23	3.01

Levels

Commodities	Last	1 Wk Ago	Prev YE	3 Yrs Ago
Oil (WTI)	77.42	79.71	71.34	56.45
Gasoline	3.50	3.51	3.12	3.16
Natural Gas	2.14	2.19	2.51	4.00
Gold	2408	2469	2063	1807
Copper	9091	9505	8464	9418
Wheat	542	531	628	692
BBG Index	230.67	235.40	226.43	203.93

LAST WEEK IN REVIEW

- **Retail Sales (June):** Upside surprise. HL: 0.0% MoM, ex Autos & Gas: 0.8% MoM, Control Group 0.9% MoM. Upward revisions to May.
- **Housing Starts & Permits (June):** Increased at 3.0% and 3.4% MoM, respectively.
- **Initial & Continuing Jobless Claims (weekly, July 13 & 6):** Upside surprise. Increased to 243K and 1,867 respectively.

THIS WEEK

- **Existing Home Sales (June):** 7/23
- **Trade Balance (June):** 7/24
- **Flash PMIs (July):** 7/24
- **2Q U.S. GDP, First Estimate:** 7/25
- **PCE & PCE Inflation:** 7/26

S & P SECTOR RETURNS

