

Monthly Market Update | June 2024

Impressive H1 Gains for US Equities Amid Easing Inflation



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MONTHLY MARKET SUMMARY

- The S&P 500 composite gained 3.5% in June. The information technology, consumer discretionary, and communications services sectors outperformed, gaining 9.29%, 4.82%, and 4.71% during the month.
- Small and mid-cap closed lower in June, with the Russell 2000 index losing 0.8%. Small-cap names underperformed, falling short of returns seen in the technology-heavy NASDAQ and the Dow Jones Industrial Average. These large-cap indices rose almost 6% and 1.1% in June, respectively.
- The 10-year Treasury note yield fell, ending the trading month at 4.342%. This is down from a high of 4.706% in late April and lower than at the end of May when the yield sat at 4.512%.

THE US STOCK MARKET'S ASTOUNDING H1 PERFORMANCE

With the close of June, we are officially halfway through the year. So far, the US stock market has yet to disappoint. American stocks were bolstered by easing inflation and artificial intelligence (AI) dominance. For the first half of 2024, the S&P500 has returned 14.5%, with the technology-heavy NASDAQ gaining an astounding 18.1% in just six months. The Dow struggled in H1, though, with the blue-chip heavy index notching a positive performance of just 3.8%.

As reflected in the returns of the NASDAQ, hype surrounding AI technology drove the markets. Of particular note is the chipmaker Nvidia, which became the top company in the S&P500 during the month of June. Nvidia is responsible for creating graphics processing units, a key component in AI technology. While its stay at the top was short-lived, the Nvidia story showcased the importance of AI technology in the US markets. The company alone has contributed 30% to the S&P500's total return this year.

INFLATION EASES, SENDING TREASURY YIELDS LOWER

The Federal Reserve's preferred inflation gauge, the core personal consumption expenditures (PCE) price index, reflects calming US price growth. The index slowed ten basis points in May, up 2.6% from one year earlier. Compared to peak PCE inflation of 7.1% in 2022, this latest report shows considerable cooling in inflationary forces. However, there is still work to be done by the central bank as the measure remains above the sustainable long-term rate of 2%.

Treasury yields ticked lower throughout June as a result of easing inflationary pressure. The 10-year Treasury note yield closed the month at 4.342%, down from 4.512% at the end of May. In response to this latest data, the two-year Treasury note saw its most significant monthly loss since December. The two-year note, which reflects the economic outlook in the country and is particularly sensitive to policy, ended the month with a yield of 4.718%.

As we move into the year's second half, inflation remains top of mind for both Treasury and equity investors. Analysts now expect the Federal Reserve to maintain rates at its meeting in July. Predictions are that the next rate cut will occur in September, helping to propel the markets into H2.

This Month in Numbers

FIGURE 1

U.S. STYLE RETURNS (JUNE 2024 IN %)

	Value	Blend	Growth
Large	-1.36%	16.94%	5.48%
Medium	-2.39%	-0.67%	-0.29%
Small	-2.97%	-2.60%	-2.32%

<https://www.morningstar.com>. Month end trailing returns for 1-month

FIGURE 2

U.S. STYLE RETURNS (YTD IN %)

	Value	Blend	Growth
Large	4.07%	15.23%	25.24%
Medium	-0.54%	5.91%	12.01%
Small	-5.36%	-0.99%	3.37%

<https://www.morningstar.com>. YTD, Total Return % NAV.

Style Returns represent the average returns on the investments of fund managers who use specific styles in managing their funds.

Large Cap Value - IVE: iShares S&P 500 Value ETF. This ETF focuses on the value segment of the S&P 500, targeting companies that are considered undervalued compared to their fundamentals. Value investing looks for stocks that are believed to be priced below their intrinsic value.

Mid Cap Value - IJJ: iShares S&P Mid-Cap 400 Value ETF. This targets mid-cap companies that exhibit value characteristics within the S&P MidCap 400 index. Mid-cap refers to companies with a market capitalization typically between \$2 billion and \$10 billion.

Small Cap Value - IJS: iShares S&P Small-Cap 600 Value ETF. This ETF aims at small-cap companies with value characteristics in the S&P SmallCap 600 index. Small-cap companies are typically those with a market capitalization of between \$300 million and \$2 billion.

Large Cap Blend - IVV: iShares Core S&P 500 ETF. This ETF tracks the performance of the S&P 500 Index, representing large-cap companies. Large-cap refers to companies with a market capitalization of more focusing on mid-cap companies that offer a balance between the fast growth of small-cap companies and the stability of large-cap companies.

Mid Cap Blend - IJH: iShares Core S&P Mid-Cap ETF. It mirrors the performance of the S&P MidCap 400 Index, focusing on mid-cap companies that offer a balance between the fast growth of small-cap companies and the stability of large-cap companies.

Small Cap Blend - IJR: iShares Core S&P Small-Cap ETF. This follows the S&P SmallCap 600 Index, concentrating on small-cap companies. These companies often offer higher growth potential but with greater volatility and risk compared to mid- and large-cap stocks.

Large Cap Growth - IVW: iShares S&P 500 Growth ETF. This ETF targets the growth segment of the S&P 500, focusing on companies expected to grow at an above-average rate compared to the market. Growth investing involves buying stocks of companies that are anticipated to grow at a significantly faster rate than the overall market.

Mid Cap Growth - IJK: iShares S&P Mid-Cap 400 Growth ETF. It aims at mid-cap companies with growth characteristics within the S&P MidCap 400 index. Growth companies are those expected to grow sales and earnings at a faster rate than the average company in their industry or the market.

Small Cap Growth - IJT: iShares S&P Small-Cap 600 Growth ETF. This focuses on small-cap companies within the S&P SmallCap 600 index that exhibit growth characteristics. Growth stocks are often more volatile than value stocks but offer the potential for higher returns.

FIGURE 3

U.S. SECTOR RETURNS (JUNE 30 2024 IN %)

GICS Sector	June 2024 in %	YTD in % (as of 6.30.24)
Basic Materials	-3.26%	3.13%
Communications Services	4.71%	26.09%
Consumer Discretionary	4.82%	5.22%
Energy	-1.39%	9.09%
Financials	-1.02%	9.25%
Healthcare	1.76%	6.91%
Industrials	1.05%	6.97%
Real Estate	1.33%	-4.14%
Staples	-0.53%	7.55%
Information Technology	9.29%	27.79%
Utilities	-5.75%	7.58%

<https://www.spglobal.com/spdji/en/documents/commentary/market-attributes-us-equities-202405.pdf>

FIGURE 4
MARKET DATA CENTER

		Level	Month Return	QTD Return	YTD Return
Equities	S&P 500	5,460	3.6%	4.3%	15.3%
	Nasdaq	17,733	6.0%	8.5%	18.6%
	Dow Jones	39,119	1.2%	-1.3%	4.8%
	Russell 1000 Value	1,718	-0.9%	-2.2%	6.6%
	Russell 1000 Growth	3,670	6.7%	8.3%	20.7%
	Russell 2000 Value	2,287	-1.7%	-3.6%	-0.9%
	Russell 2000 Growth	1,337	-0.2%	-2.9%	4.4%
	MSCI EAFE	2,315	-1.6%	-0.2%	5.8%
	MSCI EM	1,086	4.0%	5.0%	7.6%

		Yield	Month Return	QTD Return	YTD Return
Fixed Income	US Treasurys	4.57%	1.0%	0.1%	-0.9%
	US IG Corporates	5.48%	0.6%	-0.1%	-0.5%
	US HY Corporates	7.91%	0.9%	1.1%	2.6%

		Level	Month Return	QTD Return	YTD Return
Commodities	Oil (\$/barrel)	\$82	5.9%	-2.0%	13.8%
	Gold (\$/oz)	\$2,327	0.0%	4.3%	12.8%
	Copper (\$/mt)	\$9,456	-4.6%	7.9%	11.7%

		Level	Prior Month	Prior Quarter	Prior Year
Currencies	EUR (\$/€)	\$1.07	\$1.08	\$1.08	\$1.10
	JPY (\$/¥)	¥161	¥157	¥151	¥141
	GBP (\$/£)	\$1.26	\$1.27	\$1.26	\$1.27

<https://www.sofi.com/article/investment-strategy/june-2024-market-lookback/>

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