

MONTHLY RECAP

JULY 2024

MONTHLY OBSERVATIONS

Sharp Rotation in Market Leadership

2024 market laggards for the year were the winners in July as a wave of risk-on sentiment rewarded those left behind by large cap growth. The catalyst came on July 11th when the most recent Consumer Price Index inflation reading came in below expectations. This, plus cooling in the labor market, led to markets broadly signaling their expectation for a Fed rate cut in September. Additionally, robust second quarter GDP readings suggested the proverbial "soft landing" may actually be attainable. In this environment, small cap was the clear winner with a 10%+ monthly return, outpacing the S&P 500 by its widest monthly margin in the last 20 years. Non-US developed equities outperformed US large cap while falling rates across the yield curve provided a positive catalyst for income-generating asset classes (listed real estate, infrastructure and fixed income) to post solid monthly returns.

Fed Hold Rates Steady while Other Central Banks Cut

The Fed minutes from its June 11-12, 2024, meeting showed members signaling that upward price pressure was diminishing. Despite this, the group favored remaining patient before taking any action. Fed Chair Jerome Powell testified before Congress and indicated that interest rate cuts were coming, but gave no indication of the timeline. That said, following the July 31st Federal Open Market Committee meeting, it was clear that the dual mandate of price stability and full employment remain central to any decision they make regarding future monetary policy.

US Presidential Race Turbulence

Donald Trump became the official Republican candidate for president at the Republican convention following a July 13th assassination attempt that left Trump with minor injuries. Following a poor presidential debate in June, calls for President Joe Biden to exit the presidential race reached fever pitch. On July 21st, 2024, Biden announced he would not run for re-election, choosing instead to endorse his vice president, Kamala Harris, to be the Democratic candidate.

COMMENTARY FROM ASSET MANAGERS

Large Cap Growth Manager

The recent market rotation was healthy and a "necessary breather" for the market. After a strong start to the year, the base case for the second half of the year is that investor exuberance may be tempered. While deteriorating trends in consumer spending and the ramifications for economic growth are somewhat worrisome, this manager's biggest fear is the potential reignition of inflationary pressures

Fixed Income Manager

The Federal Reserve has a dual mandate: inflation and employment. Over the last 2-3 years, they have only had to worry about one of those mandates (inflation), but recent employment numbers are starting to bring that dual mandate back into focus.

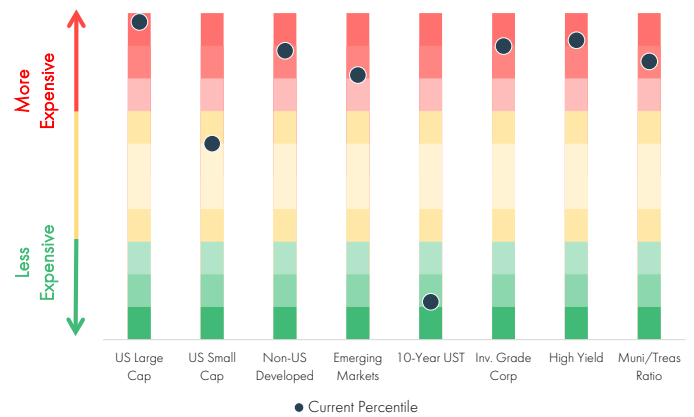
Global Asset Manager

Immigrant asylum seekers cannot access Medicaid or Food Stamps, but they can get a work permit within six months. Faced with the choice of work or starve, immigrants are likely filling the gaps in the low-wage portions of the economy: retail, construction, landscaping, hotels, and childcare – all areas that have been drastically understaffed.

MARKET RETURNS - 07.31.2024

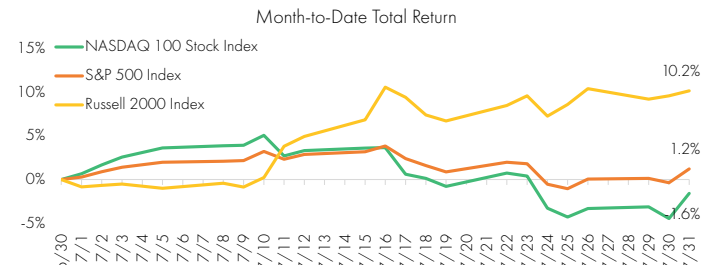
	1-Mo	QTD	YTD	2023	2022	2021
Equity						
S&P 500	1.2%	1.2%	16.7%	26.3%	-18.1%	28.7%
Nasdaq Composite	-0.7%	-0.7%	17.7%	44.6%	-32.5%	22.2%
Russell 1000 Growth	-1.7%	-1.7%	18.6%	42.7%	-29.1%	27.6%
Russell 1000 Value	5.1%	5.1%	12.1%	11.5%	-7.5%	25.2%
Russell 2000	10.2%	10.2%	12.1%	16.9%	-20.4%	14.8%
MSCI EAFE	2.9%	2.9%	8.4%	18.2%	-14.5%	11.3%
MSCI Emerging Markets	0.3%	0.3%	7.8%	9.8%	-20.1%	-2.5%
Fixed Income						
Treasury	2.2%	2.2%	1.3%	4.1%	-12.5%	-2.3%
Municipal	0.9%	0.9%	0.5%	6.4%	-8.5%	1.5%
Aggregate	2.3%	2.3%	1.6%	5.5%	-13.0%	-1.5%
Investment Grade Corporate	2.4%	2.4%	1.9%	8.5%	-15.8%	-1.0%
High Yield Corporate	1.9%	1.9%	4.6%	13.4%	-11.2%	5.3%
FX						
US Dollar Index	-1.7%	-1.7%	2.7%	-2.1%	7.9%	6.7%
Real						
Real Estate	7.1%	7.1%	4.8%	11.5%	-25.1%	39.9%
Infrastructure	4.4%	4.4%	8.0%	5.8%	-1.0%	11.0%
Oil	-8.6%	-8.6%	2.6%	-10.3%	10.5%	50.2%
Gold	4.1%	4.1%	17.3%	12.8%	-0.7%	-4.3%

ASSET CLASS VALUATIONS - 07.31.2024



Asset class valuations are a percentile ranking based on monthly data going back to a common inception of 9/1/2006.

Russell 2000 Posts Largest Single Day Gain vs Nasdaq 100 Since 2020



July's sharp rotation from US Large Cap stocks into US Small Cap stocks was driven by lower inflation data and a cooling labor market. However, as we write, a sharp selloff in early August has already erased some of the gains, as optimism over Fed rate cuts and a soft economic landing turned to fears of Fed rate cuts driven by a hard economic landing.

Source: Morningstar Direct, Bloomberg; See important information in the disclosures.

100 South Brentwood Blvd. | St. Louis, MO 63105 | monetagroup.com | (314) 726-2300



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SOURCES

Morningstar Direct as of 07.31.2024

Bloomberg as of 07.31.2024

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group .

DEFINITIONS

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

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 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BoFA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 9/1/2006. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE NR Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets NR Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BoFA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BoFA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.