Summary

The stock market finished higher last week as both the S&P 500 and NASDAQ closed at new record highs. The Dow Jones Industrial Average was up 0.7%, the S&P 500 rose 2.0%, and the NASDAQ climbed 3.5%.

June's nonfarm payrolls rose by 206,000, with private sector payrolls increasing by 136,000. However, the 3-month average for total nonfarm payrolls fell from 212,000 to 177,000. The unemployment rate slightly increased to 4.1%, and long-term unemployment grew to 22.2% of total unemployment. Despite the headline increase in payrolls, the report indicated a weakening labor market, with moderated year-over-year average hourly earnings and downward revisions for April and May resulting in employment being 111,000 lower than previously reported—conditions that could encourage a Fed rate cut in September according to some analysts.

The number of job openings on the last business day of May rose to 8.14 million from a downwardly revised 7.919 million (from 8.059 million) in April. Manufacturing continues to struggle. The June ISM index for manufacturing remained below 50%, the dividing line between expansion and contraction, with a reading of 48.5%. The ISM index for services declined to 48.8% from 53.8% in May, signalling a contraction in activity in the nation's largest sector. Factory orders decreased 0.5% month-over-month in May.

May construction spending contracted 0.1% month-over-month after an upwardly revised 0.3% increase (from -0.1%) in April. Nonetheless, it is still 6.4% above its level a year ago. The May trade deficit widened to $75.1 billion from an upwardly revised $74.5 billion in April. Exports were $1.8 billion less than April exports and imports were $1.2 billion less than April imports. Initial jobless claims for the week ending June 29 increased by 4,000 to 238,000. Continuing jobless claims for the week ending June 22 increased by 26,000 to 1.858 million—the highest level since November 27, 2021.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
ISM Manufacturing Index (Jun – Mo 10:00)	48.5%	49.1%	
Construction Spending (May – Mo 10:00)	-0.1%	+0.1%	Up 6.4% year-over-year
JOLTS – Job Openings (May – Tu 10:00)	8.140 Mil.	NA	Job openings down 14.4% year-over-year
Initial Claims (06/29 – We 8:30)	238K	235K	
Continuing Claims (06/22 – We 8:30)	1,858K	NA	Highest level since Nov. 27, 2021
Trade Balance (May – We 8:30)	-$75.1 Bil.	-$76.0 Bil.	
Factory Orders (May – We 10:00)	-0.5%	+0.3%	
ISM Non-Manufacturing Index (Jun – We 10:00)	48.8%	52.5%	
Nonfarm Payrolls (Jun – Fr 8:30)	+206K	+185K	
Nonfarm Private Payrolls (Jun – Fr 8:30)	+136K	+160K	
Unemployment Rate (Jun – Fr 8:30)	4.1%	4.0%	
Average Workweek (Jun – Fr 8:30)	34.3	34.3	
Next Week: Indicator	**Consensus Expectation***	**Prior**	**Comment**
Consumer Credit (May – Mo 3:00)	$9.5 Bil.	$6.4 Bil.	
MBA Mortgage Applications Index (7/6 – We 7:00)	NA	-2.6%	
Wholesale Inventories (May – We 10:00)	+0.6%	+0.1%	
Initial Claims (7/6 – Th 8:30)	234K	238K	
Continuing Claims (6/30 – Th 8:30)	NA	1,858K	Not available
CPI (Jun – Th 8:30)	+0.1%	+0.0%	
Core CPI (Jun – Th 8:30)	+0.2%	+0.2%	
Treasury Budget (Jun – Th 2:00)	NA	-$347.1 Bil.	
PPI (Jun – Fr 8:30)	+0.1%	-0.2%	
Core PPI (Jun – Fr 8:30)	+0.1%	+0.0%	

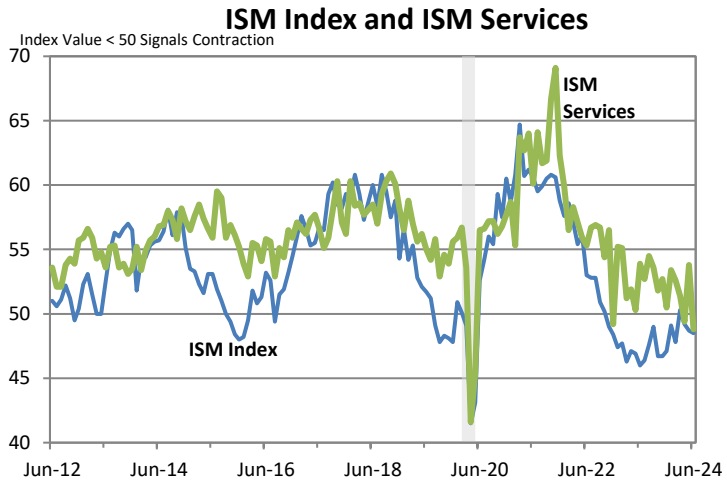
**Sources: www.briefing.com and www.federalreserve.gov*

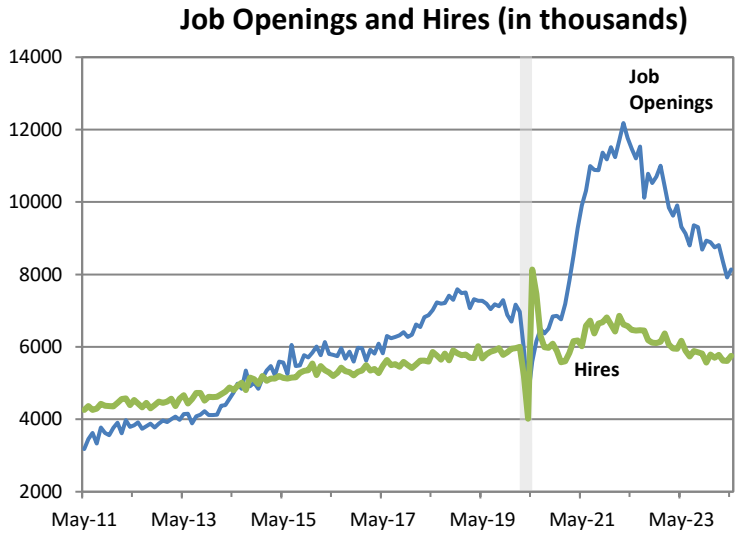
Economic Review

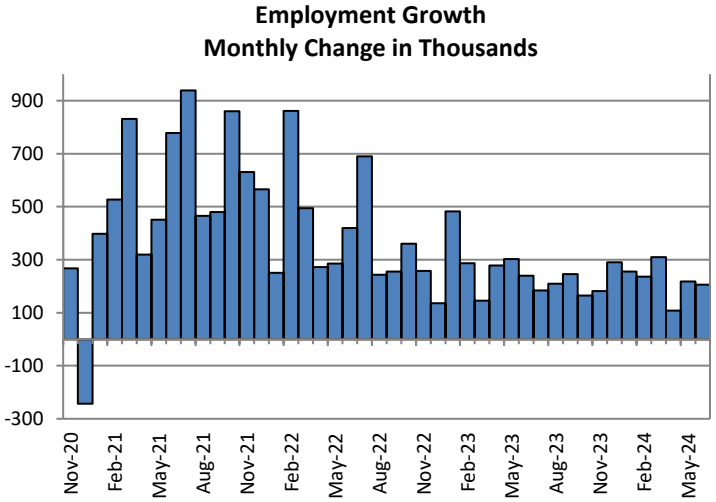
The June ISM MANUFACTURING Index checked in at 48.5%—slightly lower than the 48.7% reading in May. This is below the 50% expansion threshold, indicating a faster pace of contraction than expansion in the manufacturing sector last month. The ISM Non-Manufacturing Index decreased to 48.8% in June, down from 53.8% in May. This change from expansion to contraction suggests that economic activity is on the decline in the services sector. A large contributor to this decrease was the Business Activity/Production Index, plummeting from a reading of 61.2% in the previous month to a reading of 49.6% in June. Other contributors include the New Orders Index falling to 47.3% from 54.1% and the Prices Index dipping to 56.3% from 58.1%. Overall, these reports signify a slowdown in activity in the nation's largest sector, while manufacturing activity remained in a state of contraction, which should bolster the market's expectations for the Fed to begin rate cuts before the year's end.

The number of JOB OPENINGS rose month-over-month, hitting 8.14 million in May, up from a revised 7.91 million in April. Year-over-year job openings are down 14.4%. The job openings rate remained relatively stable at 4.9 percent in May. There was a decrease in job openings within accommodation and food services (-147,000) and private educational services (-34,000). Conversely, job openings increased in state and local government, excluding education (+117,000), durable goods manufacturing (+97,000), and the federal government (+37,000). The number of HIRES changed little in May, remaining relatively stable at 5.8 million. Over the year, hires have decreased by 415,000. Looking forward, the labor market is at a critical juncture. The current level of job openings reflects a balanced market, but persistent declines below this level may soon become concerning.

June NONFARM PAYROLLS rose by 206,000 and private sector payrolls increased by 136,000. However, the 3-month average for total nonfarm payrolls decreased from 212,000 to 177,000. June's UNEMPLOYMENT RATE inched up to 4.1% from 4.0% in May. Workers unemployed for 27 weeks or more grew to account for 22.2% of total unemployment, up from 20.7% in May. The June employment report indicated a weakening labor market. Although the nonfarm payrolls increase of 206,000 seemed positive, this strength diminishes when considering that private sector payrolls, excluding government hiring, rose by only 136,000. Additionally, there was a moderation in year-over-year average hourly earnings, and downward revisions to nonfarm payrolls for April and May resulted in employment being 111,000 lower than previously reported. The weakening labor market conditions could give the Fed justification to cut rates in September.







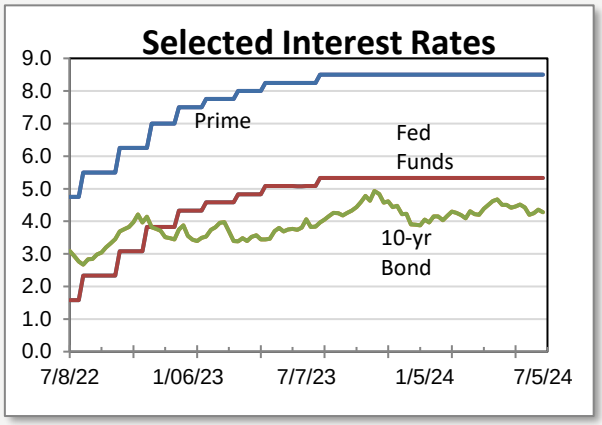
Fed Speeches

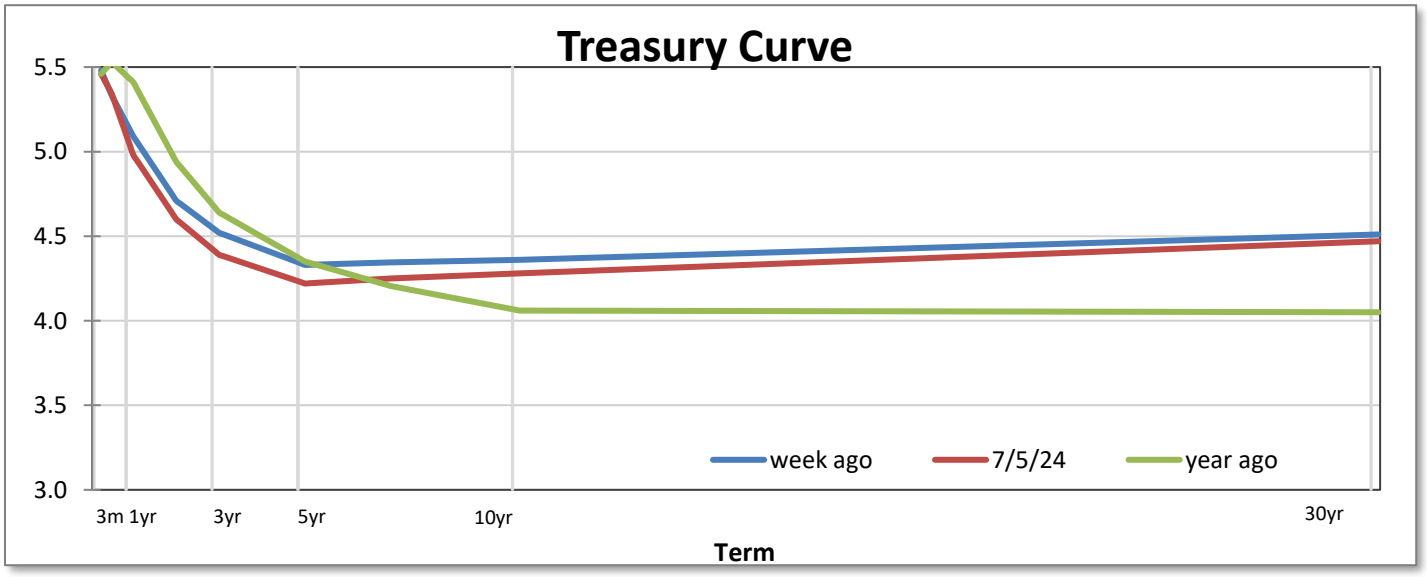
Although no speeches were given by Fed officials last week, the minutes were released from the June 11-12 FOMC meeting. A key takeaway was the discussion on the current state of inflation in the economy:

> *"In their discussion of inflation developments, participants noted that after a significant decline in inflation during the second half of 2023, the early part of this year had seen a lack of further progress toward the Committee's 2 percent objective. Participants judged that although inflation remained elevated, there had been modest further progress toward the 2 percent goal in recent months. Participants observed that some of this progress was evident in the smaller monthly change in the core PCE price index and a lower trimmed mean inflation rate for April, with the May CPI reading providing additional evidence. Recent data had also indicated improvements across a range of price categories, including market-based services. Some participants commented that sustained achievement of the 2 percent inflation objective would be aided by lower overall services price inflation, and some noted that shelter price inflation had so far been slow to come down. A few participants also highlighted the strong increases recorded this year in core import prices. Nevertheless, participants suggested that a number of developments in the product and labor markets supported their judgment that price pressures were diminishing... With regard to the outlook for inflation, participants emphasized that they were strongly committed to their 2 percent objective and that they remained concerned that elevated inflation continued to harm the purchasing power of households, especially those least able to meet the higher costs of essentials like food, housing, and transportation."*

Financial Markets

The stock market finished higher last week. The Dow Jones Industrial Average was up 0.7%, the S&P 500 rose 2.0%, and the NASDAQ climbed 3.5%. Both the S&P 500 and Nasdaq closed at new record highs. Treasury yields were generally lower with the 10-year yield down 8 basis points (bps) and the 30-year yield down 4 bps. The average 10-year municipal bond yield was unchanged and the 30-year municipal bond yield advanced by 1 bp. The average 30-year conventional mortgage rate rose 9 bps and finished the week at 6.95%. The price of gold rose 2.9%. Crude oil prices saw another increase (2.0%), ending the week at $83.16/barrel. The U.S. dollar traded lower against the Japanese Yen (0.1%) but advanced against the Euro (1.2%).





Interest Rate Forecast*

During the Fed's June policy meeting, the Federal Open Market Committee (FOMC) kept the federal funds rate target at 5.25% to 5.50%. In the statement released following the meeting, the FOMC said, "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to returning inflation to its 2 percent objective."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
3rd Qtr '24	8.45	5.33	5.31	5.36	4.82	4.41	4.56	6.96
4th Qtr	8.39	5.26	5.24	5.28	4.82	4.48	4.58	6.82
1st Qtr '25	8.17	5.04	5.02	5.11	4.74	4.46	4.55	6.72
2nd Qtr	7.92	4.79	4.77	4.87	4.65	4.44	4.52	6.58
3rd Qtr	7.58	4.46	4.44	4.54	4.50	4.39	4.47	6.49

July 2024

FINANCIAL MARKET SUMMARY

	As of 7/5/2024	As of 6/28/2024	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	8.50	8.50	0	0	0
Secured Overnight Financing Rate (SOFR)	5.33	5.34	(1)	0	1
Fed Funds (Wed close)	5.33	5.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	5.46	5.48	(2)	(6)	3
6 Months	5.34	5.33	1	(6)	0
1 Year	4.98	5.09	(11)	(19)	(7)
2 Years	4.60	4.71	(11)	(27)	(13)
5 Years	4.22	4.33	(11)	(24)	(16)
10 Years	4.28	4.36	(8)	(15)	(11)
30 Years	4.47	4.51	(4)	(8)	(7)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	3.12	3.14	(2)	(11)	(1)
5-Year Muni	2.96	2.96	0	(5)	31
10-Year Muni	2.86	2.86	0	(15)	22
30-Year Muni	3.80	3.79	1	(6)	(6)
30-Year Conventional Mortgage	6.95	6.86	9	(4)	13
MARKET INDICATORS (Changes in %)					
DJIA	39,375.87	39,118.86	0.7	1.5	1.2
S&P 500	5,567.19	5,460.48	2.0	4.1	7.0
NASDAQ	18,352.76	17,732.60	3.5	7.1	13.0
CRB Futures	344.63	340.81	1.1	1.6	(0.1)
Oil (WTI Crude)	83.16	81.51	2.0	7.7	(0.0)
Gold	2,392.16	2,325.54	2.9	4.4	2.8
Yen / Dollar	160.75	160.93	(0.1)	2.2	6.2
Dollar / Euro	1.08	1.07	1.2	0.4	0.0