

7/8/2024

The Week Ahead

THINGS TO WATCH

Jay and Janet on the Hill

Federal Reserve Chair Jerome Powell will deliver his semi-annual testimony to the Senate Banking Committee tomorrow, while Treasury Secretary Janet Yellen is scheduled to testify before the House Financial Services Committee (HFSC) on the international financial system. On Wednesday, Powell will continue his twice-a-year monetary policy report before the HFSC. Based on recent comments, the Fed Chair will likely strike a dovish tone by calling out the progress made in quelling inflation in recent quarters. Yellen is expected to field pointed questions by GOP lawmakers led by HFSC Chair Patrick McHenry on the trajectory of the U.S. deficit.

Three straight months of soft-ish inflation?

Thursday morning, Bureau of Labor Statistics data is expected to show the headline consumer price index (CPI) climbed 0.1% in June after readings of 0.0% in May and 0.3% in April. If the 0.1% consensus estimate proves accurate, year-over-year CPI would drop to 3.1% from 3.3% in May, tied for the lowest reading since March 2021. Core CPI, which excludes food and energy, is projected to have been 0.2% last month, only a bit higher than the headline reading and good enough to keep the annual reading at a three-year low of 3.4%. CPI data that meets expectations or modestly surprises to the downside for a third straight month will likely be met with enthusiasm by the stock market.

Bank Results on Friday

Trends in dealmaking activity will be under the microscope when quarterly results from JPMorgan (JPM), Wells Fargo (WFC), and Citigroup (C) kick off 2Q24 earnings season Friday. As is always the case, the interplay between loan demand and funding costs for this group will also be a primary focus of investors. Any commentary from management on updated capital return plans following successful Fed stress test results in June could also make headlines.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing PMI	48.5	50.3	▼
ISM Services PMI	48.8	51.4	▼
JOLTS Job Openings (Millions)	8.14	8.81	▼
Non-Farm Payrolls (Thousands)	206	310	▼
Unemployment Rate	4.1%	3.8%	▲
Average Hourly Earnings (Y/Y)	3.9%	4.1%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	39375.87	0.69%	5.52%	17.20%
NASDAQ	18352.76	3.51%	22.73%	34.16%
S&P 500	5567.19	1.98%	17.57%	27.08%
MSCI EAFE	2349.27	2.25%	8.17%	15.26%
BB U.S. Aggregate	2152.24	0.84%	0.12%	4.03%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	5.37%	5.40%	5.34%
10-Year Treasury	4.28%	4.28%	3.93%

REPORTS DUE THIS WEEK	LATEST
NFIB Small Business Optimism	90.5
Consumer Price Index (Y/Y)	3.3%
Core Consumer Price Index (Y/Y)	3.4%
Producer Price Index (Y/Y)	2.2%
U. of Mich. Consumer Sentiment	68.2

Total returns are as of 7/5/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

8.8%

Expected year-over-year S&P 500 operating earnings growth during second quarter reporting season based on bottom-up analysts' estimates aggregated by Bloomberg Intelligence. The Magnificent 7 cohort is projected to generate 29.1% year-over-year profit growth in 2Q24 compared to just 4.7% for the rest of the index (S&P 493). By the fourth quarter, however, this gap is expected to narrow, with consensus expectations for 18.3% profit growth from the Magnificent 7 and 11.2% growth for the S&P 493.

\$695 million

Aggregate net inflows into the Financial Select Sector SPDR Fund (XLF) over the three trading days from Friday, June 28 through Tuesday, July 2, the largest 3-day net inflow into the \$41 billion fund since November 29. Flows into XLF seem to have been driven by the largest U.S. banks passing the Fed's annual stress tests, along with expectations of deregulation and a steeper yield curve amid increased odds of a GOP victory in November following the June 27 presidential debate.

This publication was prepared by MainStreet Investment Advisors, LLC ("MainStreet Advisors"), an investment adviser registered with the SEC. Registration as an investment adviser does not imply any level of skill or training. Information and opinions herein are as of the publication date and are subject to change without notice based on market and other conditions. The week is calculated beginning with Monday's market open. The specific securities identified are shown for illustrative purposes only and should not be considered a recommendation by MainStreet Advisors. Index and sector statistics are unmanaged and a common measure of performance of their respective asset classes. Indexes are not available for direct investment. Any graph, data, or information is considered reliably sourced and for educational purposes only. Any suggestion of cause and effect or of the predictability of economic or investment cycles is unintentional. This Financial Market Update may contain forward-looking statements and/or candid statements and observations regarding investment strategies, asset allocation, individual securities, and economic and market conditions; however, there is no guarantee that the statements, opinions, or forecasts will prove to be correct. The material included herein was prepared or is distributed solely for information purposes; is not a solicitation or an offer to buy/sell any security or instrument, to participate in any trading strategy or to offer advisory services by MainStreet Advisors; is not intended to be used as a general guide to investing or as a source of any specific investment recommendations; makes no implied or express recommendations concerning the manner in which any client's account should or would be handled; and should not be relied on for accounting, tax or legal advice. There are risks involved with investing including possible loss of principal and the value of investments and the income derived from them can fluctuate. Investing for short periods may make losses more likely. Past performance is not indicative of future results, which may vary. Investors are urged to consult with their financial advisors before buying or selling any securities. Not a deposit, not FDIC insured, may lose value, not bank guaranteed, not insured by any federal government agency.