

Weekly Economic Recap –

Inflation Modestly Eases but Expectations Increase

Consumer expectations for inflation and home prices increased in April, according to the New York Fed Survey. One-year ahead inflation expectations increased to 3.3%, the highest level since November, while home price growth expectations increased at the fastest pace since July 2022.

Small business optimism as tracked by the NFIB Small Business Index increased for the first time this year in April. Seven of the ten components that make up the index increased, led by a sharp uptick in sales expectations and plans to increase capital spending.

Producer prices increased more than expected in April driven largely by prices paid for services. The headline services index increased at the fastest monthly pace (0.6%) since July 2023 as prices for portfolio management services jumped by the most since December.

Headline inflation as tracked by the Consumer Price Index increased slightly below consensus estimates (0.3% MoM vs. 0.4% MoM est.). Shelter and energy prices remain stubbornly high as both components drove the increase at the headline level, accounting for over 70% of the increase. CPI Core, which excludes volatile food and energy prices, increased at the smallest annualized pace since April 2021.

Consumer spending stagnated in April as headline retail sales were unchanged from March. Seven of the thirteen categories posted sales decreases during the month, led by nonstore retailers. Sales at gasoline stations increased by the most since August.

Key Takeaways:

- Inflation expectations rise to highest since November.
- Shelter and housing prices remain sticky.
- Consumer spending stagnates amid higher prices.
- Dow Jones closes above key 40,000 level; growth outperforms.
- Yields retreat as expectations for rate cuts rise, again.
- Commodities higher led by crude oil and gold prices.

Weekly Market Recap –

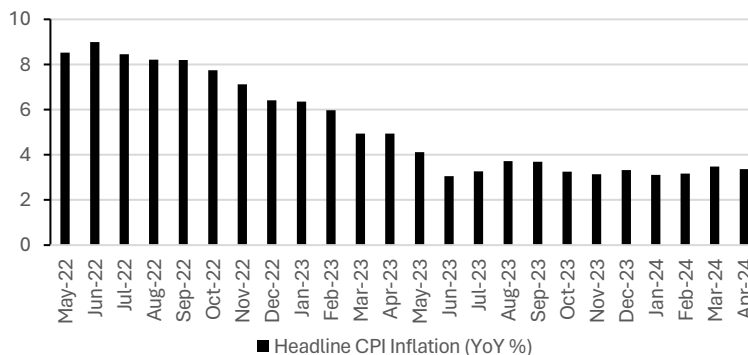
Equities Rally on Renewed Hopes of Fed Rate Cuts

Equities: The MSCI AC World Index was higher for the fourth straight week as expectations for Fed rate cuts this year were reignited after signs of inflation easing modestly. All major averages in the U.S. were higher for the week with growth areas of the market (i.e., technology) outperforming. The Dow Jones Industrial Average was higher for the fifth straight week and closed above the key 40,000 level for the first time in history.

Fixed Income: The Bloomberg Barclays Aggregate Index was higher for the third straight week as Treasury yields in the U.S. fell (prices rose) after the release of key inflation data. Municipal bonds were lower for the first time in three weeks. All other areas of fixed income were higher for the week, led by EM debt (USD) and investment grade bonds.

Commodities/FX: The Bloomberg Commodity Index was higher for the second straight week. Metals (e.g., copper) were higher for the second straight week as economic data out of the U.S. and China suggested global demand could be higher than originally anticipated. Gold prices were higher for the second straight week on hopes of Fed rate cuts later this year.

Headline Inflation Eases but Remains Sticky



Footnotes: Data is as of April 2024.

Source: FactSet Research Systems, Verdence Capital Advisors.

Key Takeaways:

- Inflation is likely to show up at Memorial Day celebrations this year.
- Food prices are still running ~2% higher than last year.
- Travel expenses to put a strain on consumers, thanks to crude oil prices.
- Alcoholic beverage options could be different this year.
- Enjoy the time with family and friends!

Cost of Enjoying Memorial Day Holiday is Higher in 2024

Last week's headline inflation data as tracked by the Consumer Price Index showed moderate signs of easing, but it is still growing well above the Fed's 2% target. As Americans prepare to travel for the upcoming Memorial Day holiday, we wanted to look further into the CPI report to better prepare consumers for the additional costs they may face due to ongoing inflation pressures. An estimated 43.8 million people are expected to travel more than 50 miles from home, according to statistics from AAA.¹ For those traveling by car, the cost at the pump is a bit higher than last year. In addition, we hope that you do not need to have any car maintenance before you hit the road because those costs have increased almost 10% over the past year.

For those participating in a traditional Memorial Day cookout, consumers can expect higher food prices to feed your guests. Last week's CPI data showed food prices are roughly 2% higher than last year. On the bright side, food prices at this point last year were growing almost 7% on a year over year basis. Please read on to find some other points regarding the cost of enjoying the upcoming Memorial Day weekend.

• Expect to pay more for travel plans:

Among the roughly 44 million Americans expected to travel during the Memorial Day holiday, which AAA tracks as Thursday, May 23rd – Monday, May 27th, about 38 million of them will travel by car while the rest will travel by air or "other." Travelers can expect to pay ~\$3.60/gallon at the pump, which is the national average as of May 19th, and is ~\$0.05 higher than last year.² Domestic airfare will cost ~2% more than last year, with the average round-trip ticket costing \$778.¹

• Memorial Day barbeque may look different:

Food prices at home (e.g., food costs at grocery stores) continue to squeeze consumers' wallets which could have an impact on the typical Memorial Day barbeque. Inflation data released last week showed beef prices are ~7% higher than last year. In addition, fruit and vegetable prices are ~2% higher than last year. Instead of hamburgers and fruit salad, Americans may want to opt for fish and seafood. Those prices have been falling on an annualized basis for the past eight months.

• Opting for cheaper drink options:

Alcoholic beverages are ~2% more expensive than last year. Beer and other malt beverages just posted their largest monthly gain since December 2022 and are ~3% higher than a year ago. Those celebrating with a beverage this Memorial Day weekend may find themselves sipping on more wine than usual as those prices are only ~0.8% higher than last year.

The Bottom Line:

We realize that the growth rate of inflation is slowing and that is good news for the Fed. However, for consumers it may not feel that way. Even though a necessity such as food may only be seeing prices growing ~2% over the past year, that comes after they were growing ~7% on a year over year basis just one year ago. In addition, food prices are still almost 30% higher than they were before the pandemic (Dec 2019). This is why confidence remains weak amongst consumers. They are still feeling the compounding effect of years of inflation pressures. We are starting to see this filter into spending and expect consumers to continue to be strained.

Better than Expected U.S. Inflation Data Boosts Global Equities

		Current	1WK	1MO	3MO	1YR	YTD			Current	1WK	1MO	3MO	1YR	YTD
U.S. Equities	Dow Jones Industrial Average	40,004	1.3%	6.2%	4.0%	22.2%	6.9%	International Equities	MSCI AC World (USD)	795	1.7%	6.4%	6.6%	24.0%	10.1%
	S&P 500	5,303	1.6%	5.7%	6.3%	29.5%	11.8%		MSCI EAFE (USD)	2,381	1.7%	7.1%	6.9%	15.7%	8.1%
	Russell 1000 Growth	3,449	1.8%	5.8%	5.5%	37.3%	13.3%		MSCI Europe ex UK (USD)	2,696	1.6%	7.6%	8.0%	16.2%	8.8%
	Russell 1000 Value	1,760	1.3%	5.7%	6.8%	21.2%	8.9%		MSCI Japan (USD)	3,933	1.4%	2.8%	1.8%	17.5%	7.2%
	Russell Midcap	3,326	1.0%	5.7%	5.4%	23.5%	7.4%		MSCI UK (USD)	1,274	1.5%	9.9%	11.8%	15.8%	10.5%
	Russell 2000	2,096	1.8%	7.7%	3.5%	19.9%	3.9%		MSCI EM (USD)	1,100	2.7%	8.9%	9.0%	15.8%	8.3%
	Nasdaq	16,686	2.2%	6.5%	6.0%	34.6%	11.5%		MSCI Asia ex Japan (USD)	702	3.1%	10.6%	10.9%	14.6%	10.0%
Fixed Income	U.S. Aggregate	5.0%	0.6%	1.6%	0.6%	1.4%	-1.4%	Commodities	Bloomberg Commodity Index	248	3.0%	3.9%	11.3%	10.0%	9.4%
	U.S. Govt/Credit	4.9%	0.6%	1.5%	0.6%	1.5%	-1.4%		Crude Oil (USD/bbl)	\$79.4	0.2%	-3.8%	1.2%	7.8%	7.7%
	U.S. 10 Year Treasury	4.4%	0.7%	1.6%	0.0%	-3.1%	-3.0%		Gold (\$/oz)	\$2,415.2	3.6%	1.2%	19.6%	22.4%	17.4%
	U.S. TIPS (1-10YR)	4.8%	0.4%	1.0%	1.2%	2.0%	0.4%		Copper	\$505.7	5.2%	12.4%	30.7%	35.7%	29.9%
	U.S. High Yield	7.8%	0.4%	2.1%	2.0%	11.3%	1.9%		Wheat	\$651.3	-2.6%	18.1%	15.4%	1.2%	3.6%
	EM Bonds (USD)	7.1%	0.8%	2.3%	2.9%	9.3%	2.0%		U.S. Dollar	104	-0.6%	-1.5%	0.5%	1.4%	3.2%
	Municipal Bonds	3.6%	-0.1%	0.8%	0.1%	3.1%	-0.6%		VIX Index	12.0	-4.5%	-34.2%	-15.8%	-28.9%	-3.7%

Footnotes: Data is as of May 17, 2024.

Source: Bloomberg Finance LP, Verdense Capital Advisors.

1: <https://info.oregon.aaa.com/nearly-44-million-americans-planning-memorial-day-getaway/>

2: <https://gasprices.aaa.com/>

Disclaimer:

© 2024 Authored by Megan Horneman, Chief Investment Officer, Verdecence Capital Advisors, LLC. Reproduction without permission is not permitted. The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index.

This material was prepared by Verdecence Capital Advisors, LLC ("VCA" or "we", "our", "us"). VCA believes the information and data in this document were obtained from sources considered reliable and correct and cannot guarantee either their accuracy or completeness. VCA has not independently verified third-party sourced information and data. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. These projections, market outlooks or estimates are subject to change without notice. This material is being provided for informational purposes only and is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice. Past performance is not a guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product or any non-investment related content, made reference to directly or indirectly in these materials will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from VCA. Alternative investments are designed only for sophisticated investors who are able to bear the risk of the loss of their entire investment. Investing in alternative investments should be viewed as illiquid and generally not readily marketable or transferable. Investors should be prepared to bear the financial risks of investing in an alternative investment for an indefinite period of time. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. All indexes are unmanaged, and you cannot invest directly in an index. Index returns do not include fees or expenses. Sector Watch Use of this website is intended for U.S. residents only. Any recommendation, opinion or advice regarding securities or markets contained in such material does not reflect the views of Verdecence Capital, and Verdecence Capital does not verify any information included in such material. Verdecence Capital assumes no responsibility for any fact, recommendation, opinion, or advice contained in any such research material and expressly disclaims any responsibility for any decisions or for the suitability of any security or transaction based on it. Any decisions you may make to buy, sell, or hold a security based on this research will be entirely your own and not in any way deemed to be endorsed or influenced by or attributed to Verdecence Capital. It is understood that, without exception, any order based on such research that is placed for execution is and will be treated as an UNRECOMMENDED AND UNSOLICITED ORDER. Further, Verdecence Capital assumes no responsibility for the accuracy, completeness, or timeliness of any such research or for updating such research, which is subject to change without notice at any time. Verdecence Capital does not provide tax, or legal advice. Under no circumstance is the information contained within this research to be used or considered as an offer to sell or a solicitation of an offer to buy any particular investment/security. Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk. Commodity-related products, including futures, carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions, regardless of the length of time shares are held. Data is provided for information purposes only and is not intended for trading purposes. Verdecence Capital shall not be liable for any errors or delay in the content, or for any action taken in reliance on any content. Weekly Insights/Quarterly & Annual Outlook The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index. Semi-Annual Chart Pack Where shown, performance information presented is that which has been calculated and presented by an unaffiliated third-party manager. We have no insight into the performance of the advisor/product/account or fund shown and do not attempt to determine whether the performance presented is accurate. Therefore, the performance could be incorrect, overstated or not reflective of actual trading of client funds. There is the potential that the performance shown is a back test and not the result of real investment advice and trading. As such, it could not be relied upon as indicative of future returns of a particular strategy. Where performance shown is that of a pooled account, limited partnership, or private equity fund, you should be aware that there is a significant lack of transparency into the operations and investment process and investment vehicles invested in. As a result, pricing and valuation of the underlying holdings which produced the stated performance could be incorrect, stale, or overstated and therefore the performance figures presented cannot be relied upon. Before investing, we encourage you to request additional information, particularly performance information, of any product that you are considering for your client. You should read, as applicable, the Prospectus, SAI, Composite Disclosure and/or performance disclosure associated with any product that you are considering for investment for your or your client's. Products shown may have minimum account sizes or minimum investments which may preclude retail and non-high net worth investors from being able to invest in these products. You should be aware that certain LPs may be closed to new investors and therefore your clients may be prevented from investing in these products. Portfolio Implementation and Rationales The SMA Asset Allocation Models do not represent a personalized recommendation of a particular investment strategy to you or your clients. You should not buy or sell an investment without first considering whether it is appropriate for your client's portfolio. Additionally, you should review and consider any recent market news. All expressions of opinion are subject to change without notice in reaction to shifting market conditions. Data contained herein from third-party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed. Supporting documentation for any claims or statistical information is available upon request. Examples provided are for illustrative purposes only and not intended to be reflective of results you can expect to achieve. Diversification and asset allocation do not ensure a profit and do not protect against losses in declining markets. Any forecasts contained herein are for illustrative purposes only, may be based upon proprietary research and are developed through analysis of historical public data. Investments in growth stocks may experience price volatility due to their sensitivity to market fluctuations and dependence on future earnings expectations. Sector allocation references to market capitalization ("smid cap" or "micro caps" etc.) may be subject to special risks given their characteristic narrow markets, limited financial resources, and less liquid stocks, all of which may cause price volatility. International/global investing can involve special risks, such as political changes and currency fluctuations. These risks are heightened in emerging markets. A significant percentage of the underlying investments in aggressive asset allocation portfolio investments have a higher-than-average risk exposure. You should consider your risk tolerance of each of your clients carefully before choosing such a strategy. An investment with multiple underlying investments (which may include asset-allocation or custom blended investments) may be subject to the expenses of those underlying investments in addition to those of the investment itself. Investments may reside in the specialty category due to 1) allowable investment flexibility that precludes classification in standard asset categories and/or 2) investment concentration in a limited group of securities or industry sectors. Investments in this category may be more volatile than less flexible and/or less concentrated investments and may be appropriate as only a minor component in an investor's overall portfolio. Investment Managers You and your clients should carefully consider investment objectives, risks, charges, and expenses of Funds discussed. This and other important information are contained in the respective Fund prospectuses and summary prospectuses, which should be read carefully before investing. Investment portfolio statistics change over time. Current performance may be lower or higher than return data quoted herein. The investment return and the principal value of an investment will fluctuate; so, an investor's shares/units, when redeemed, may be worth more or less than their original cost. Verdecence relies heavily on unaudited third-party data. Data sources include public data, such as mutual fund data, and non-public data, such as information provided by other investment advisors and managers of limited partnership pooled accounts. Data and/or statistics included in this Portal, including references to performance, opinions, ratings, rankings, manager statistics and demographic information, product, or strategy descriptions, either quantitative or qualitative, are based upon information reasonably available to us as of the applicable date(s) then-published. Information has been obtained from sources that we believe to be reliable, but these sources cannot be guaranteed as to their accuracy or completeness. All data and information produced by a third party has the potential to be incorrect, incomplete, or otherwise misleading. No implication shall be created that the information contained on the Site is correct, including as of any time subsequent to the publish date, and Verdecence does not undertake an obligation to update such information at any time after such date. Verdecence makes no warranty or representation of the veracity of the data and information and its use of the information should not be implied as an endorsement of any material or statements made. Data, particularly non-public data, is subject to error and where the information is not audited, the potential for error is greater. Where shown, performance information presented is that which has been calculated and presented by an unaffiliated third-party manager. We have no insight into the performance of the advisor/product/account or fund shown and do not attempt to determine whether the performance presented is accurate. Therefore, the performance could be incorrect, overstated or not reflective of actual trading of client funds. There is the potential that the performance shown is a back test and not the result of real investment advice and trading. As such, it could not be relied upon as indicative of future returns of a particular strategy. Where performance shown is that of a pooled account, limited partnership, or private equity fund, you should be aware that there is a significant lack of transparency into the operations and investment process and investment vehicles invested in. As a result, pricing and valuation of the underlying holdings which produced the stated performance could be incorrect, stale, or overstated and therefore the performance figures presented cannot be relied upon. Before investing, we encourage you to request additional information, particularly performance information, of any product that you are considering for investment for your client. You should read, as applicable, the Prospectus, SAI, Composite Disclosure and/or performance disclosure associated with any product that you are considering for investment for your or your client's. Certain products shown may have account minimums or minimum investment sizes that are unattainable for your clients and therefore they may not be eligible to invest in these products. Reference to registration with the Securities and Exchange Commission ("SEC") does not imply that the SEC has endorsed or approved the qualifications of Verdecence or its respective representatives to provide any advisory services described on the Site.