

Weekly Economic Recap –

Inflation Shows Signs of Easing, but Confidence Continues Lower

Consumer confidence as tracked by the Conference Board fell in June. Business expectations deteriorated further, as only 12.5% of consumers expect business conditions to improve in the next six months, the smallest share since 2011.

The increase in home prices in the U.S. eased slightly in April according to the S&P CoreLogic Index, which increased 7.2% YoY (vs. 7.5% YoY last month). All twenty cities the index tracks showed price gains in April. The price gains were led by Boston, San Francisco and Seattle.

Sales of new homes in the US fell at the fastest pace (-11.3%) since September 2022 as buyers continue to contend with elevated home prices and mortgage rates. The median sales price was relatively unchanged in May and the months' supply of new homes rose to the highest level since October 2022.

Orders placed with US factories for business equipment unexpectedly fell in May. Core capital goods orders, a proxy for investment in equipment ex. aircraft and military hardware, matched its largest drop of the year. Durable goods orders increased by 0.1% driven by orders for military aircraft.

The Fed's preferred inflation gauge, PCE Core, increased at the slowest annual pace since March 2021 (+2.6% year-over-year). Housing prices remain sticky, leading the increase at the headline level. Overall prices were held steady, however, helped by declining prices for goods and energy.

Key Takeaways:

- Consumer confidence falls again.
- Sales of new homes fall at fastest pace since November.
- Fed's preferred inflation gauge shows signs of easing.
- Small caps lead U.S. equities higher; growth still outperforms.
- Fixed income sector performance mixed, yields rise.
- Commodities fall despite rising energy prices.

Weekly Market Recap –

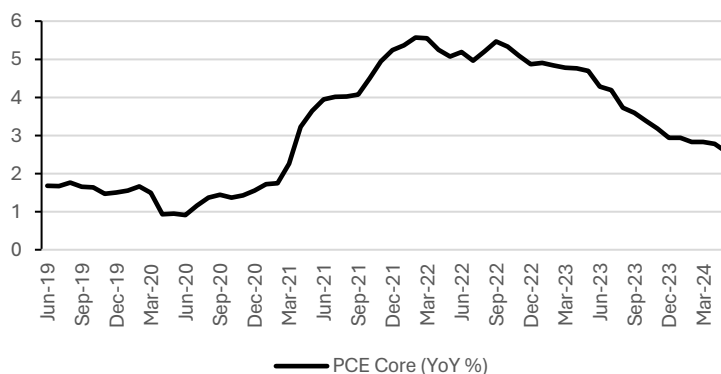
Small-Caps Outperform and Growth Trade Carries U.S. Markets

Equities: The MSCI AC World Index was higher for the fourth straight week after the Fed's preferred inflation gauge, PCE Core, showed further signs of easing. Major averages in the U.S. were mixed, however. Small-caps, as tracked by the Russell 2000, led performance in the U.S. and were higher for the second straight week. Growth continued to outperform value as the Nasdaq was higher for the fourth straight week.

Fixed Income: The Bloomberg Barclays Aggregate Index was lower for the second straight week as longer-maturity Treasury yields increased. Treasuries and investment grade corporate bonds were the worst performing sectors for the week while floating rate bonds rallied.

Commodities/FX: The Bloomberg Commodity Index was lower for the second straight week, despite gains in energy prices. Crude oil was higher for the third straight week as geopolitical tensions between Israel and Hezbollah intensified. Corn prices plummeted after the USDA June Acreage report showed more plantings than estimated.

PCE Core Increases at Slowest Pace Since March '21



Footnotes: Data is as of May 2024.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

Key Takeaways:

- Inflation picture starting to show signs of improving.
- Consumer confidence deteriorates further.
- Equities rally as growth trade continues to carry markets.
- Bonds mixed on hawkish Fed rhetoric.
- Commodities climb for second straight quarter on metals rally.

2Q24 Recap – Growth Trade Continues Despite Hawkish Federal Reserve

Global equity markets were higher for the third straight quarter as inflation showed signs of easing while economic growth continued. Rate cuts by the ECB and Bank of Canada sparked a global risk-on sentiment as investors expect the Fed to be next. The Fed, however, continued to reiterate their stance of needing more confidence before cutting rates, sending bond yields higher during the quarter. The equity growth trade remained full-steam ahead despite the Fed's hawkish rhetoric and rising yields. This week, we review the 2Q24 from an economic and asset class perspective.

- **Inflation showing signs of improving:** The Fed's preferred inflation gauge, PCE Core, remains above the central bank's 2% target, but the pace of gains has fallen to the slowest annualized pace since March 2021 (+2.6%). Core CPI also showed signs of easing, increasing at the slowest pace since April 2021.
- **Diverging monetary policy paths:** The ECB and Bank of Canada were the first two major central banks to cut interest rates (by 25bps) as both authorities cited progress on inflation.

- **Consumer confidence continues to deteriorate:** Consumer confidence as tracked by the Conference Board continued to fall during 2Q24. Additionally, the University of Michigan Consumer Sentiment Index fell to a seven-month low as Americans grew pessimistic about household finances, specifically.
- **Job gains strong, but unemployment increases:** The U.S. economy continued to add jobs at a robust pace during the quarter. The three-month moving average increased to ~268k jobs (from 264k jobs in 1Q24). However, the unemployment rate rose to the highest level since January 2022 (4.0%) as more Americans entered the labor force.

Global Equities - Growth trade continues: The MSCI AC World Index was higher for the third straight quarter as growth continued to carry global equity performance.

- **Growth carries U.S. equity performance:** The Russell 3000 Growth Index outperformed the Russell 3000 Value Index by ~600 bps in 2Q24. Value sectors were lower for the first time since 3Q23.

- **Emerging markets outperform developed:** The MSCI Emerging Market Index outperformed the MSCI EAFE Developed Market Index by the widest margin since 1Q23. Taiwan and India equities contributed the most to the EM outperformance.

Fixed Income – Bonds mixed on hawkish Fed rhetoric: The Bloomberg Aggregate Index was relatively flat in 2Q24. However, long term Treasuries and investment grade credit declined on hawkish Fed rhetoric.

- **TIPS and floating rates lead rally:** U.S. TIPS and floating rates led fixed income in 2Q24 on expectations for higher rates for longer.

Commodities – Metals lead commodity gains: The Bloomberg Commodity Index was higher for the second consecutive quarter.

- **Metals lead the gains:** Both industrial and precious metals led the gains in 2Q24. Gold hit a record high while copper rallied on hopes for a soft landing in the U.S.
- **Natural gas prices surged:** Expectations for a more active hurricane season boosted natural gas prices.

U.S. Equities Mixed While Japan Pulls International Equities Higher

		Current	1WK	1MO	3MO	1YR	YTD			Current	1WK	1MO	3MO	1YR	YTD
U.S. Equities	Dow Jones Industrial Average	39,119	-0.1%	1.2%	-1.3%	16.0%	4.8%	International Equities	MSCI AC World (USD)	802	0.1%	2.2%	2.9%	19.4%	11.3%
	S&P 500	5,460	-0.1%	3.6%	4.3%	24.5%	15.3%		MSCI EAFE (USD)	2,315	0.4%	-1.6%	-0.4%	11.5%	5.3%
	Russell 1000 Growth	3,670	0.2%	6.7%	8.3%	33.5%	20.7%		MSCI Europe ex UK (USD)	2,604	-0.2%	-2.4%	-0.4%	11.5%	5.5%
	Russell 1000 Value	1,718	-0.2%	-0.9%	-2.2%	13.0%	6.6%		MSCI Japan (USD)	3,893	2.6%	-0.7%	-4.3%	13.1%	6.3%
	Russell Midcap	3,241	-0.2%	-0.7%	-3.3%	12.9%	5.0%		MSCI UK (USD)	1,229	-0.8%	-1.8%	3.7%	12.5%	6.9%
	Russell 2000	2,048	1.3%	-0.9%	-3.3%	10.0%	1.7%		MSCI EM (USD)	1,086	0.1%	3.9%	5.0%	12.5%	7.5%
	Nasdaq	17,733	0.3%	6.0%	8.5%	29.7%	18.6%		MSCI Asia ex Japan (USD)	697	-0.2%	4.3%	7.2%	12.9%	9.7%
Fixed Income	U.S. Aggregate	5.0%	-0.6%	0.9%	0.1%	2.6%	-0.7%	Commodities	Bloomberg Commodity Index	238	-0.6%	-1.5%	2.9%	5.0%	5.1%
	U.S. Govt/Credit	4.9%	-0.6%	0.9%	0.0%	2.7%	-0.7%		Crude Oil (USD/bbl)	\$82.2	0.7%	5.2%	-1.5%	11.5%	10.5%
	U.S. 10 Year Treasury	4.4%	-0.8%	1.3%	-0.4%	-0.7%	-2.0%		Gold (\$/oz)	\$2,326.8	-0.2%	0.1%	3.4%	21.3%	12.9%
	U.S. TIPS (1-10YR)	4.8%	0.0%	0.8%	1.1%	4.3%	1.4%		Copper	\$439.1	-0.3%	-3.9%	9.2%	18.2%	13.6%
	U.S. High Yield	7.9%	0.0%	0.9%	1.1%	10.4%	2.6%		Wheat	\$573.5	0.1%	-18.3%	-2.9%	-18.9%	-12.9%
	EM Bonds (USD)	7.2%	-0.4%	0.6%	0.7%	8.0%	2.2%		U.S. Dollar	106	0.2%	1.0%	0.6%	2.7%	4.3%
	Municipal Bonds	3.7%	-0.2%	1.5%	0.0%	3.2%	-0.4%		VIX Index	12.4	-5.8%	-3.7%	-4.4%	-8.5%	-0.1%

Footnotes: Data is as of June 28, 2024.

Source: Bloomberg Finance LP, Verdenca Capital Advisors.

Disclaimer:

© 2024 Authored by Megan Horneman, Chief Investment Officer, Verdenca 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 Verdenca 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 Verdenca Capital, and Verdenca Capital does not verify any information included in such material. Verdenca 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 Verdenca 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, Verdenca 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. Verdenca 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. Verdenca 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/Qtly & 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. Verdenca 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 on 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 Verdenca does not undertake an obligation to update such information at any time after such date. Verdenca 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 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 Verdenca or its respective representatives to provide any advisory services described on the Site.