

## Weekly Economic Recap –

Powell Reiterates Need for More Confidence but Signals Potential for Rate Cuts

Fed Chairman Powell spoke at the Economic Club of Washington D.C. last week and reiterated the Committee’s stance that “greater confidence” is still needed before cutting rates. He did, however, state that the Fed will not wait until inflation hits 2% because “if you wait [until inflation hits 2%] you’ve probably waited too long,” referencing the lags of monetary policy.

Retail sales were flat on a monthly basis driven by sales at auto dealerships falling by the most since the start of the year. Sales excluding autos increased by the most in three months in June (0.4%). That strength was led by internet sales, health and personal care as well as furniture.

Homebuilder confidence, as tracked by the NAHB Housing Index, fell for the third straight month in July as higher mortgage rates continued to weigh on sales. Gauges of prospective buyers’ traffic and current sales both fell to new lows for the year. Builders’ expectations for sales over the next six months, however, increased for the first time since March.

The ECB left interest rates unchanged at their July meeting, a month after cutting rates by 25bps. ECB President, Christine Lagarde stated, “wages are still rising at an elevated rate” and that officials expect inflation levels to fluctuate for the rest of the year.

The Leading Economic Indicators Index fell in June (0.2% vs. 0.3% est.) for the 27<sup>th</sup> time out of the past 28 months. The headline decrease was driven by continued weak consumer expectations and an uptick in initial claims for unemployment.

## Key Takeaways:

- Fed will not wait until 2% inflation to cut rates.
- ECB leaves rates unchanged; not committing to a rate path.
- Leading Indicators fall on weak consumer expectations.
- Large-cap growth plummets amid calls for Fed rate cuts.
- Investors weigh likelihood of Fed rate cut; municipal bonds higher.
- Commodities broadly lower amid falling crude oil prices.

## Weekly Market Recap –

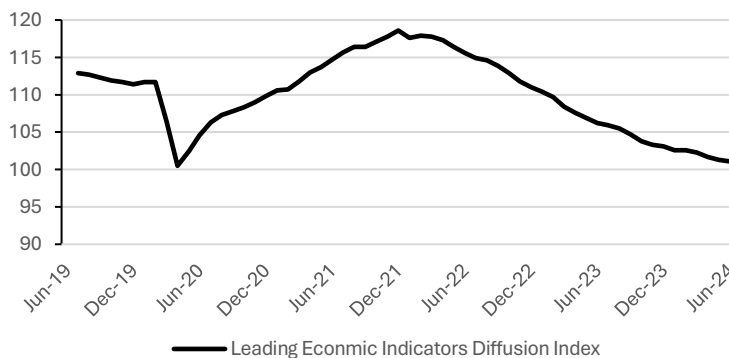
Large-Cap Growth Tumbles as Investors Reallocate to Beaten Down Areas of the Market

**Equities:** The MSCI AC World Index fell for the first time in seven weeks as investors shifted away from mega-cap tech into beaten down areas of the market amid expectations for Fed rate cuts. In the U.S., small-caps, as tracked by the Russell 2000, outperformed and were higher for the second straight week. Growth and tech underperformed in the U.S. as both the S&P 500 and Nasdaq were lower, as well as the Russell 1000 Growth Index.

**Fixed Income:** The Bloomberg Barclays Aggregate Index was lower for the first time in three weeks as Treasury yields inched higher during the week. Investors weighed comments from various central bank officials during the week and implications for the future rate policy. Municipal and high yield bonds were the best performing areas of the market.

**Commodities/FX:** The Bloomberg Commodity Index fell for the second straight week. Crude oil prices were lower for the second straight week, and by the most since May, as investors weigh the likelihood of a ceasefire in Gaza. The U.S. Dollar was higher for the first time in three weeks.

### Leading Indicators Index Continues to Fall



Footnotes: Data is as of June 2024.

Source: FactSet Research Systems, Verdence Capital Advisors.

## Key Takeaways:

- Trump is officially the Republican nominee for President.
- Republicans show party unity at the RNC.
- Trump separates himself from “Project 2025”.
- Immigration and crime are pillars of Trump’s campaign initiatives.
- Biden withdrawing throws more drama in this rare election season.

## What is Trump Focusing on if He Wins Election?

The Republican National Convention (RNC) was held last week where Republicans formally elected former President Donald Trump as the party’s candidate. The convention was held just days after an assassination attempt on the former President at a rally in Pennsylvania. We have been monitoring various polls closely, and after the assassination attempt, Trump has widened his national lead over President Biden to roughly three points, based on national polling averages.<sup>1</sup> This week, we take a closer look at five of Trump’s key policies.

- **Clarifying Project 2025.** The so-called Project 2025, which was created by the Heritage Foundation, an ultra-Conservative think-tank, has led some to believe the nearly 900-page document is a blueprint for a second Trump term. Trump has denied “knowing anything about Project 2025,” saying he, “disagrees with some of the things they’re saying,” in a post on his social media platform Truth Social. The document proposes expanding the power of the President, dismantling the Department of Education, creating stricter regulations on abortion, and drastic tax cuts.<sup>2</sup>

- **Key economic policies on Trump’s agenda:** Below we provide an overview of policy themes Trump is building his campaign on. While concrete plans on how to achieve these items have not yet been released, these are a few of the items that he has been campaigning on:

- 1) Crime and Policing:** Public safety is one of Trump’s key themes this election cycle. He supports increased powers for police.
- 2) Immigration:** Adding onto his theme of public safety, Trump plans on strengthening U.S. borders, specifically the southern border. He also has plans to direct law enforcement and the National Guard to deport millions of undocumented immigrants.
- 3) Foreign Policy:** Trump plans to move forward with an “America First” agenda, similar to his agenda in 2016. Tariffs on China will likely go to 60% - 100%, while he may impose a 10% tariff on all other imports of foreign goods.<sup>3</sup>
- 4) Economic Initiatives:** Coining the term “Trumpenomics” in a recent interview,<sup>3</sup> the former President aspires to lowering corporate taxes to bring manufacturing back to the U.S.

- 5) Healthcare:** Contrary to his 2016 campaign, Trump has indicated he will not completely repeal Obamacare. Instead, he wants to improve it and make healthcare more affordable.

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## The Bottom Line:

The announcement yesterday that Biden would drop out of the race and endorse Vice President Kamala Harris throws another complexity into this historically rare election season. At this time, we are still awaiting details on how Trump will go about accomplishing his key themes. Specifically what that means for investments. We assume we will get more details in the months ahead. In addition, it is still unclear who will be on the official Democratic ticket so understanding their agenda and what that means for investments is difficult at this time as well. We will follow the polls closely, get a better idea of who ends up being the Democratic President and Vice President nominees and then analyze their agendas to see what that means for investors. Especially with the expiration of the Tax Cuts and Jobs Act in 2025 and what that means for taxes in 2026.

## Global Equities Fall as Investors Shift Away from Large-Cap Growth

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	40,288	0.7%	3.8%	6.5%	17.3%	8.0%	MSCI AC World (USD)	811	-2.1%	0.8%	9.6%	17.4%	12.6%		
S&P 500	5,505	-1.9%	0.4%	11.2%	22.4%	16.3%	MSCI EAFE (USD)	2,361	-2.4%	1.7%	6.6%	10.8%	7.5%		
Russell 1000 Growth	3,641	-3.9%	-1.4%	14.5%	27.8%	19.8%	MSCI Europe ex UK (USD)	2,626	-3.3%	0.2%	4.7%	9.6%	6.4%		
Russell 1000 Value	1,769	0.7%	3.2%	5.8%	14.1%	9.9%	MSCI Japan (USD)	4,052	-1.2%	5.5%	7.7%	14.4%	10.6%		
Russell Midcap	3,332	0.0%	2.6%	6.3%	11.8%	7.9%	MSCI UK (USD)	1,254	-1.7%	1.0%	8.0%	12.5%	9.1%		
Russell 2000	2,184	1.7%	8.0%	12.5%	11.7%	8.6%	MSCI EM (USD)	1,090	-3.0%	0.0%	9.7%	9.6%	8.2%		
Nasdaq	17,727	-3.6%	-0.7%	16.2%	24.5%	18.6%	MSCI Asia ex Japan (USD)	696	-3.4%	-0.8%	11.9%	9.8%	10.1%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.8%	-0.3%	0.4%	3.7%	3.1%	0.5%	Bloomberg Commodity Index	231	-3.1%	-4.7%	-4.1%	-2.5%	1.8%		
U.S. Govt/Credit	4.7%	-0.3%	0.3%	3.5%	3.2%	0.5%	Crude Oil (USD/bbl)	\$79.6	-2.8%	-1.1%	-3.2%	2.6%	8.0%		
U.S. 10 Year Treasury	4.2%	-0.4%	0.2%	4.1%	-0.1%	-0.8%	Gold (\$/oz)	\$2,400.8	-1.0%	3.2%	3.0%	22.2%	16.2%		
U.S. TIPS (1-10YR)	4.5%	-0.1%	0.7%	2.8%	4.4%	2.1%	Copper	\$421.9	-6.8%	-5.0%	-5.7%	11.0%	8.5%		
U.S. High Yield	7.7%	0.3%	1.5%	4.2%	10.6%	4.0%	Wheat	\$542.8	2.2%	-5.5%	-10.0%	-26.7%	-17.1%		
EM Bonds (USD)	7.0%	-0.4%	0.5%	3.5%	7.8%	3.2%	U.S. Dollar	104	0.1%	-1.4%	-1.7%	3.2%	2.9%		
Municipal Bonds	3.6%	0.2%	0.5%	1.8%	3.3%	0.3%	VIX Index	16.5	32.6%	34.3%	-11.7%	20.1%	32.7%		

Footnotes: Data is as of July 19, 2024.

Source: Bloomberg Finance LP, Verdenca Capital Advisors.

- <https://www.economist.com/interactive/us-2024-election/trump-biden-polls/>
- <https://www.bbc.com/news/articles/c977njvq2do>
- <https://www.bloomberg.com/features/2024-trump-interview/?srnd=homepage-americas>

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