

Weekly Update – June 10, 2024

Market Returns Ending 6/7/2024			
Category	1 Week	MTD	YTD
US			
Large Cap	1.4%	6.4%	12.8%
Mid Cap	-1.2%	1.6%	4.4%
Small Cap	-2.1%	2.8%	0.6%
International			
Developed	1.3%	5.4%	8.9%
Emerging	2.4%	3.0%	5.9%
Bonds			
Aggregate	1.3%	3.0%	-0.4%
High Yield	0.6%	1.7%	2.3%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	-0.8	1.1	2.7
Mid	-1.6	-1.2	-0.1
Small	-2.5	-2.1	-1.6
	YTD		
	Value	Core	Growth
Large	6.8	11.8	16.1
Mid	4.5	4.4	4.1
Small	-1.7	0.6	2.9

Source: Bloomberg

Key Events: 2024 - The year of the election

India and Mexico held elections this week, and dozens more countries, including ours, will follow suit before January 1st. Narendra Modi remains India’s Prime Minister, but with less support than expected. Claudia Sheinbaum became Mexico’s first female president; worry over her policies triggered Peso volatility and a selloff in the stock market.

The US finished the week with a strong employment report, further delaying Fed rate cuts. Meanwhile, the European Central Bank cut rates despite raising its inflation forecast.

Market review: Tech and elections in the driver’s seat

More gains from the technology sector drove the S&P 500 higher as small and midcap US stocks lost money.

Continued gains in India drove emerging markets higher, and the bond market gained on slowing economic data.

Outlook: Earnings and rates trump elections

The US elections, while incredibly important, will not likely be the most important driver of markets in 2024, as earnings and interest rates carry more weight.ⁱ The market expects strong and broad earnings growth and is hoping for interest rates cuts. A miss on either may spell trouble.

We acknowledge the strong growth tailwind of AI (see the chart below) as well as the significant Fiscal stimulus. We have never had deficits this large outside of a recession or a major crisis (such as the COVID pandemic).ⁱⁱ These two forces have driven recent momentum in the stock market, momentum which may prove fleeting. We are poised to benefit from strong growth but remain focused on risk management in every asset class.

We are not worried about poor earnings, inflation, or a recession, but we are prepared for them.

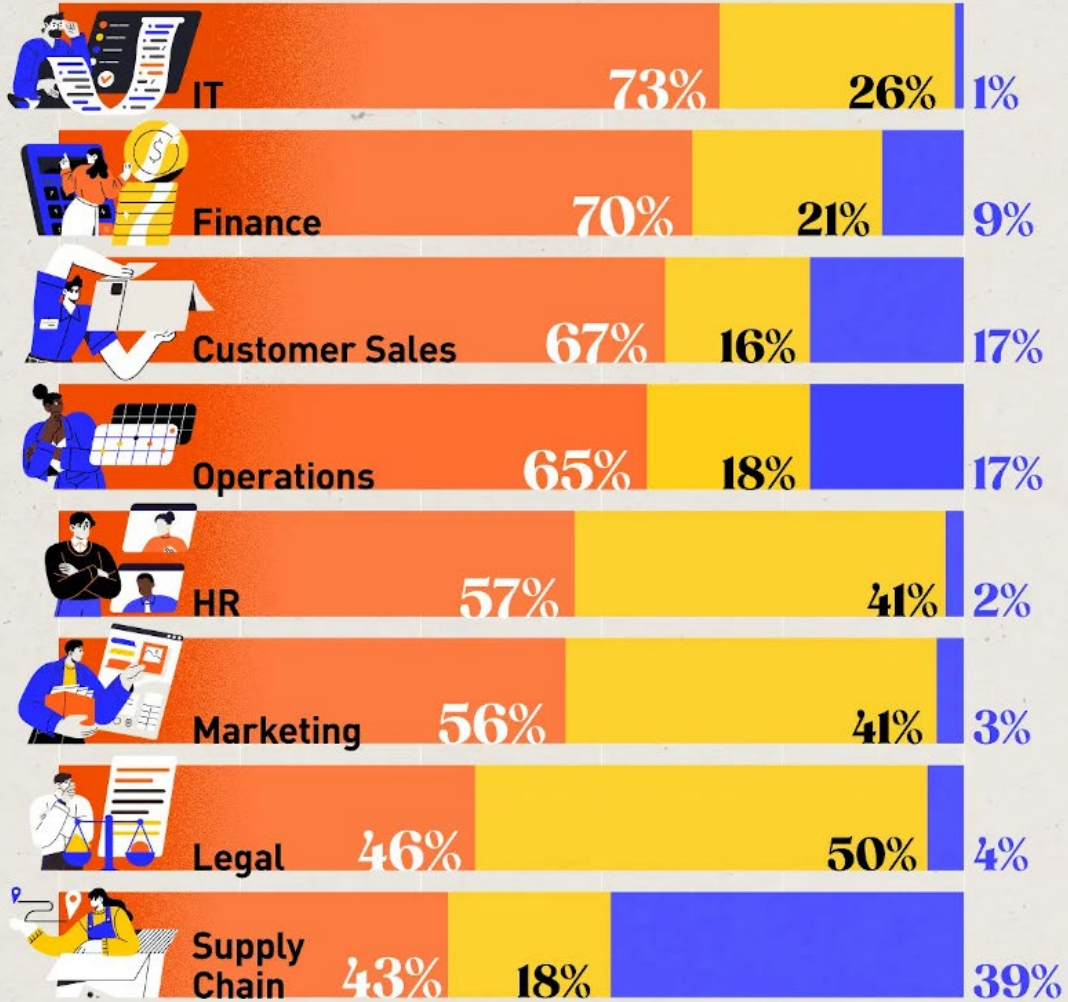


WHICH JOB DEPARTMENTS WILL AI Impact THE MOST

Large impact: Tasks are automated or significantly altered

Small impact: Tasks are not fundamentally changed

No impact



Based on analysis of over 19,000 tasks across 867 occupations. Data as of Sept 2023.



Source: Jobs of Tomorrow: Large Language Models and Jobs

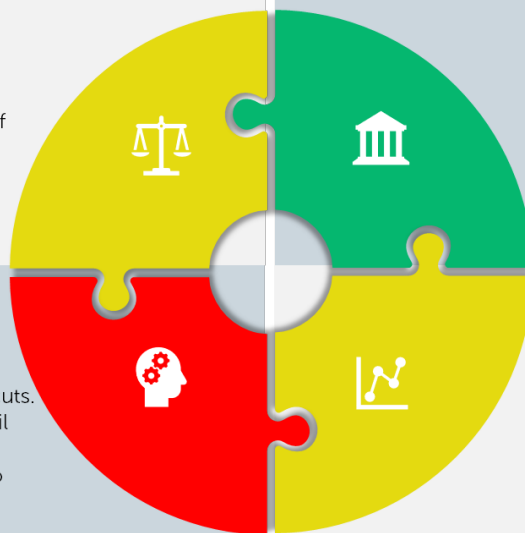
OneAscent Navigator Outlook: June 2024

VALUATION

- Small stocks are at a larger valuation discount than average relative to large cap stocks.
- International stocks are an attractive source of income, with higher yields than US stocks.
- Corporate bond spreads have compressed to levels near their all-time lows.

SENTIMENT

- Federal Reserve policy makers have been increasingly hawkish in their comments, indicating a low likelihood of near-term rate cuts.
- Small Business confidence rose slightly in April but remains in a downtrend.
- Individual investor bullishness has retreated to more neutral levels.



ECONOMY

- Inflation data has continued to trend lower but remains above the Fed's target.
- Slowing consumer spending has led to reduced GDP projections.
- Easy financial conditions have offset restrictive Fed policy, allowing the economy to maintain a growth trajectory.

TECHNICAL

- While the S&P 500 trades well above its moving average levels, fewer stocks within the index are above these averages.
- Market breadth, as measured by the advance/decline line, has been strong since the fall of 2023 but may be weakening..



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ⁱ See the earnings commentary in our monthly outlook <https://investments.oneascent.com/blog/monthly-update-june-2024>

ⁱⁱ Source: Congressional Budget Office [The Budget Outlook and Options for Reducing the Deficit | Congressional Budget Office](#)

ⁱⁱⁱ Source: Visual Capitalist [Chart: The Jobs Most Impacted by AI \(visualcapitalist.com\)](#).

^{iv} Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield