

Weekly Update – June 17, 2024

Market Returns Ending 6/14/2024			
Category	1 Week	MTD	YTD
US			
Large Cap	3.0%	8.1%	14.6%
Mid Cap	-1.4%	1.4%	4.1%
Small Cap	-3.0%	1.9%	-0.4%
International			
Developed	-0.8%	3.1%	6.6%
Emerging	2.7%	3.4%	6.3%
Bonds			
Aggregate	1.6%	3.4%	0.0%
High Yield	0.9%	2.1%	2.6%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	-1.9	2.6	6.3
Mid	-2.3	-1.4	0.7
Small	-4.2	-3.0	-1.8
	YTD		
	Value	Core	Growth
Large	5.6	13.5	20.2
Mid	3.8	4.1	5.0
Small	-3.3	-0.4	2.7

Source: Bloomberg

Key Events: Processing the inflation data

The data this week presented conflicting signals from the Federal Reserve, consumer sentiment, and inflation:

Despite Wednesday's lower consumer inflation report the Fed raised its inflation forecast and projected fewer rate cuts in 2024. Similarly, despite lower producer inflation reported on Thursday, a survey of consumer inflation expectations increased on Friday¹.

Market review: Confusion leads to volatility

This mixed messaging contributed to volatility. US large cap stocks, led by the tech sector, and emerging markets saw gains throughout the week. Conversely, small cap stocks reacted negatively to the economic uncertainty.

The lower inflation data offset concerns raised by the Fed and consumer surveys leading gains in the bond market.

Outlook: Expectations and reality

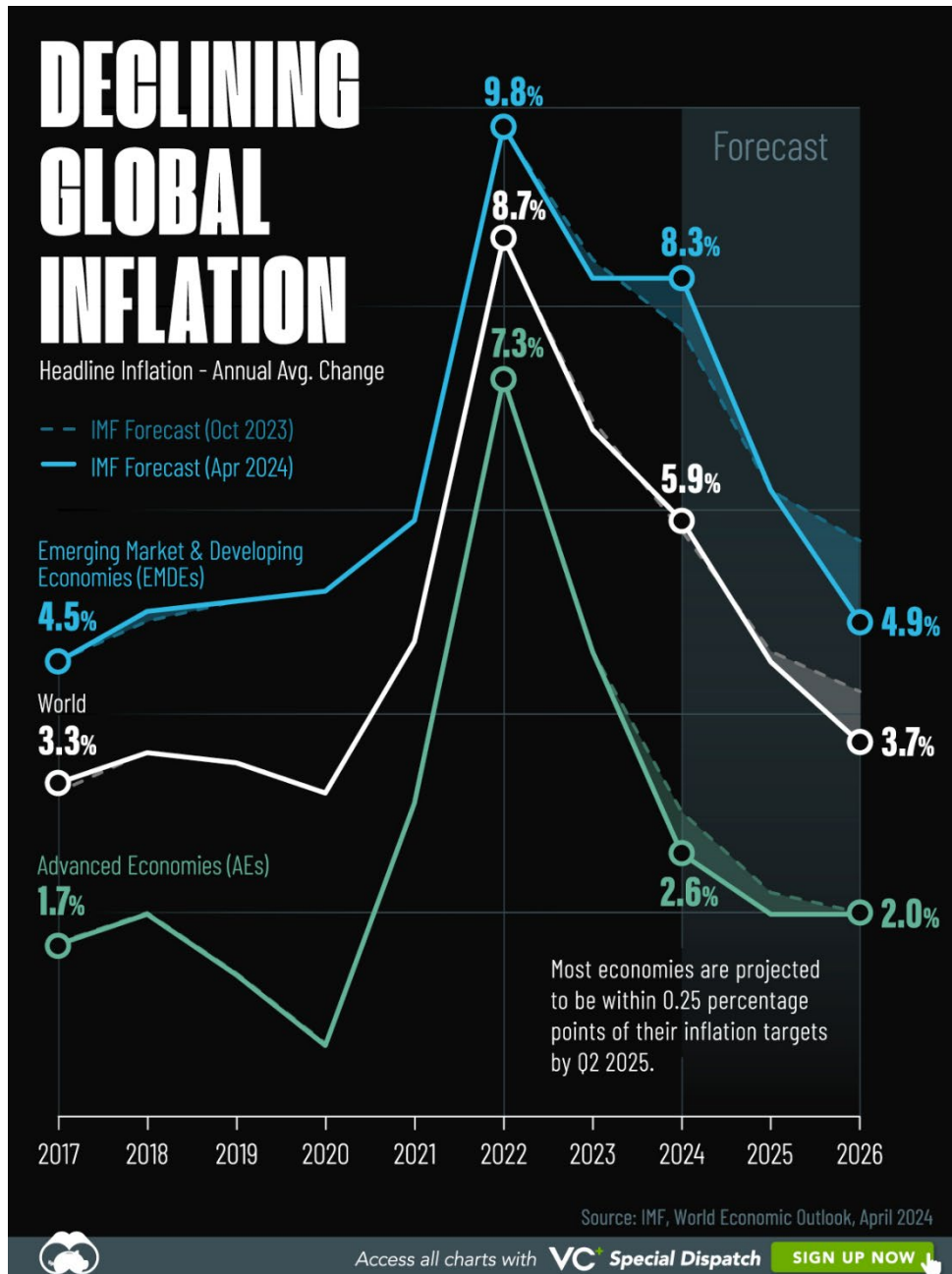
The juxtaposition of lower inflation *data* against higher *expectations* is intriguing, as expectations often foreshadow actual inflation trends. Volatility is occurring as global inflation declines sharply from previous highs; predicting the decline accurately is challenging given the many factors beyond central banks' control. The Fed faces the delicate task of controlling inflation without pushing the economy into a recession.

A significant decrease in the University of Michigan consumer confidence survey this week reflects the worry that uncertainty may translate into economic weakness.

Given these uncertainties, rather than betting on a single outcome, we are positioning portfolios to benefit from a soft landing while preparing for potential scenarios of inflation or recession.



Forecasts for the decline of inflation ⁱⁱ



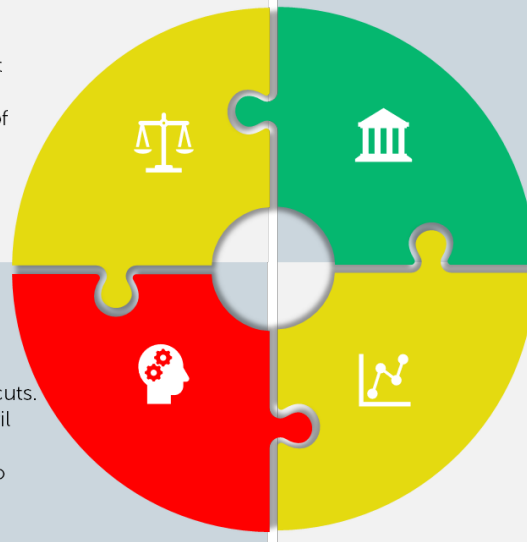
OneAscent Navigator Outlook: June 2024

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 Source: Bloomberg, University of Michigan – 1-year forward expectations were reported at 3.3%, above estimates of 3.2%.

ⁱⁱ Source: Visual Capitalist [Visualizing Global Inflation Forecasts \(2024-2026\) \(visualcapitalist.com\)](https://www.visualcapitalist.com/visualizing-global-inflation-forecasts-2024-2026/).

ⁱⁱⁱ 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