

MARKET COMMENTARY

JULY 2024

- The best industry sector performance for June was Information Technology, while Utilities was the worst
- The Fed held rates steady with an outlook of one 25bps cut this year as per the SEP
- Latest economic reports pointing to a mixed bag
- Inflation likely to remain sticky near-term as goods spending softens compared to services

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The S&P 500® continued to grind higher in June to finish out a strong first half of 2024 led by a small group of technology titans. The market's narrow strength, led by the technology sector, comes despite emerging signs of housing and consumer weakness as well as geopolitical uncertainty. Nevertheless, the VIX Index or "fear gauge" remained in complacent territory, tracking sideways through much of June. Meanwhile, the Federal Reserve held interest rates steady at the June FOMC meeting while indicating the possibility of a rate cut later this year. For the full month, the Dow Jones Industrial Average increased by 1.1%, the S&P 500® index was up 3.5%, and the smaller cap-weighted Russell 2000® decreased by 1.1%.

Five of the eleven sectors of the S&P 500 increased during June. The best-performing sector for the month was Information Technology, which increased by 9.3% and was followed by the Consumer Discretionary sector, which was up 4.8%. The weakest performance in the month was posted by the Utilities sector, which decreased by 5.8%, followed by the Materials sector, which was down 3.3%. For the prior twelve months period, the Communication Services sector was the best performer with a 43.6% increase, followed by the Information Technology sector, which was up 40.7%, while the Real Estate sector was the worst performer for the past twelve months with a 1.9% increase followed by the Utilities sector which was up 4.1%.

The Federal Reserve held interest rate policy steady in June, which is likely coming as a disappointment to some investors hoping for a more accommodative stance. The outlook for easing rates points to just one 25 bps cut, as seen in the Fed governors' Summary of Economic Projections (SEP), signaling that the 2024 yearend Fed Funds rate would likely approximate 5.1%. We note that four governors now look for no rate cut in 2024 - up from two that held that view back in March. In contrast, the latest CME FedWatch datasets point to investors as anticipating two 25 BPS rate cuts in the 2H2024 - with odds standing at 62% for the first 25 BPS rate cut with the September 18th FOMC session, followed by a second 25 BPS rate cut (73% odds) with the December 18th session - to close the year with the funds rate within a range of 4.75% - 5.00%.

Latest inflation datasets point to sustained disinflation, giving us reason for optimism that the period of post-COVID inflation may be easing. The issue today appears not to be 'if' but 'when' the FOMC moves to commence cutting interest rates. Still, we sense that a bifurcated consumer market leaves many among the middle class and lower income levels stressed and running short on purchasing power - with signs pointing to an economic slowdown as now setting in. Thus, key issues we remain focused on relate to the sustainability of corporate profit margins required to deliver on consensus 2024/2025 earnings forecasts that could see layoffs/unemployment rise, further pressuring corporate earnings. We perceive there is little room for disappointment related to future earnings expectations among market leadership and or a shift in Fed interest rate policy (now in wait-and-see mode).

The latest economic reports point to a mixed picture for the U.S. economy, with negative trends in employment, durable goods orders, slow GDP, weak housing, and rising savings rates. The four-week moving average of Unemployment Claims for the week ended June 22nd and trended higher to 236,000 with continuing claims rising to 1.839MM - indicative of a slowing jobs market with these claims now at the highest level since yearend 2021. Durable Goods orders advanced 0.1% on a nominal basis (not inflation-adjusted), while ex-transport orders fell 0.1%, with business spending declining 0.6% month-over-month in May as business reins in capex spending (despite that focus on AI). Revised 1Q2024 GDP components were weak, with real consumer spending re-set to up 1.5% quarter-over-quarter from a prior stat of up 2.5%. Finally, pending home sales fell 2.1% in May, hitting their lowest level dating back to 2001, while the supply of homes available for sale started to build (up 35% from year-ago levels but still down 30% from pre-COVID levels), suggesting that housing prices may be poised to cool with the overall housing market not showing early cycle recovery on the horizon.

In aggregate, these economic data points appear to represent rising storm clouds on the horizon, which could be early warning signs of a potential economic slowdown. We note that Bloomberg tracks 36 economic indicators, comparing actual results to analyst forecasts. The difference between the two is captured in the Bloomberg Economic

Surprise index. This index dropped sharply in May and June as results, particularly in a range of housing-related indicators, came in below expectations.

Bloomberg Economic Surprise Index

Bloomberg

ECSURPUS Index (Bloomberg ECO US Surprise Index)



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Source: Bloomberg

On a more positive note, the Personal Income and Spending (PCE) report for May was reported by the Bureau of Economic Analysis (BEA) - with signs of disinflation trends persisting in May with Headline PCE unchanged in contrast to the 0.3% increase in April, leaving it up 2.6% over the past year. Core PCE (the favored inflation gauge of the FOMC) ramped by 0.1% month-over-month while coming in at 2.6% on a trailing 12-month basis - down from a 2.8% pace recorded in April. Prices were held in check during the month, with a 0.4% decline registered for goods and a 2.1% slide for energy, offsetting a 0.2% gain in service costs and a 0.1% increase for food.

The BEA report also noted an increase in real disposable personal income and real personal spending in May - with Personal Income rising by 0.5% for the month (above forecasts targeting 0.4%) with Personal Spending up 0.2% following a downwardly revised 0.1% increase (from 0.2%) in April. Economists focused on the modest rise in consumer spending for the month - up 0.1% in May - that, although coming in below expectations (of up 0.2%), still showed an increase of 2.3% over the past year. However, spending on goods continues to soften in contrast to that for services, which is likely to keep inflation sticky over the near term. Finally, we note that over the past three months, the U.S. Personal Savings Rate has trended up from a low of 3.5% in March to 3.9% in May - still running below the long-term average of 8.46% - but likely indicative of folks building savings as uncertainty over the U.S. economy is on the rise.

Where to from here?

With the S&P 500 trading at nearly 20x consensus 2025 earnings estimates, we view equity markets as being pretty fully valued with consolidation of gains and volatile market conditions likely poised to continue near term tied to news of the day while election year politics moves to front and center as the race for the White House heats up. We favor selective investment while taking a 12-18 month, intermediate-term investment time horizon given rising near-term economic concerns and the narrowness of the market, which leads us to reassess risk. Although we are not abandoning mega-cap tech sector issues, our focus today remains on quality, well-managed company stocks having attractive relative valuations, along with favorable growth prospects and strong balance sheets offering solid intermediate-term potential returns.

MARKET AND ECONOMIC STATISTICS

Market Indices:	6/28/2024	12/29/2023	% Change YTD	5/31/2024	% Change (Monthly)
S&P Composite	5,460.48	4,769.83	14.48%	5,277.51	3.47%
Dow Jones Industrials	39,118.86	37,689.54	3.79%	38,686.32	1.12%
NASDAQ Composite	17,732.60	15,011.35	18.13%	16,735.02	5.96%
Russell 2000	2,047.69	2,027.07	1.02%	2,070.13	-1.08%
FTSE 100	8,164.12	7,733.24	5.57%	8,275.38	-1.34%
Shanghai Composite	2,967.40	2,974.94	-0.25%	3,086.81	-3.87%
Nikkei Stock Average	39,583.08	33,464.17	18.28%	38,487.90	2.85%
Stoxx Europe 600	511.42	478.99	6.77%	518.17	-1.30%
MSCI Emerging Markets	1,086.25	1,023.74	6.11%	1,048.96	3.55%
MSCI Emerging Markets Small Cap	1,449.23	1,367.16	6.00%	1,408.73	2.87%
Performance of S&P 500 by Industry:	% of Index as of 5/31/2024	1 Month	3 Month	Year to Date	12 Months
Consumer Discretionary	10.01%	4.82%	0.45%	5.22%	12.15%
Consumer Staples	5.77%	-0.53%	0.69%	7.55%	5.27%
Energy	3.65%	-1.39%	-3.19%	9.09%	11.97%
Financials	12.44%	-1.02%	-2.43%	9.25%	21.95%
Health Care	11.75%	1.76%	-1.37%	6.91%	9.80%
Industrials	8.05%	-1.05%	-3.26%	6.97%	13.64%
Information Technology	32.52%	9.29%	13.61%	27.79%	40.68%
Materials	2.13%	-3.26%	-4.90%	3.13%	6.62%
Communication Services	9.30%	4.71%	9.11%	26.09%	43.55%
Utilities	2.26%	-5.75%	3.85%	7.58%	4.07%
Real Estate	2.13%	1.33%	-2.82%	-4.14%	1.90%
S&P 500 (Absolute performance)	100.00%	3.47%	3.92%	14.48%	22.70%
Interest Rates:	6/28/2024	12/29/2023	YTD Change (Basis Points)	5/31/2024	Month Change (BPS)
Fed Funds Effective Rate	5.33%	5.33%	0	5.33%	0
Prime Rate	8.50%	8.50%	0	8.50%	0
Three Month Treasury Bill	5.31%	5.33%	-3	5.33%	-2
Ten Year Treasury	4.40%	3.88%	52	4.50%	-10
Spread - 10 Year vs 3 Month	-0.91%	-1.45%	54	-0.83%	-8
Foreign Currencies:	6/28/2024	12/29/2023	% Change YTD	5/31/2024	% Change (Monthly)
Brazil Real (in US dollars)	0.18	0.21	-13.2%	0.19	-6.2%
British Pound (in US dollars)	1.26	1.27	-0.7%	1.27	-0.8%
Canadian Dollar (in US dollars)	0.73	0.76	-3.2%	0.73	-0.4%
Chinese Yuan (per US dollar)	7.27	7.10	2.4%	7.24	0.4%
Euro (in US dollars)	1.07	1.10	-3.0%	1.08	-1.2%
Japanese Yen (per US dollar)	160.88	141.04	14.1%	157.31	2.3%
Commodity Prices:	6/28/2024	12/29/2023	% Change YTD	5/31/2024	% Change (Monthly)
CRB (Commodity) Index	539.31	510.32	5.7%	546.17	-1.3%
Gold (Comex spot per troy oz.)	2326.75	2062.98	12.8%	2327.33	0.0%
Oil (West Texas int. crude)	81.54	71.65	13.8%	76.99	5.9%
Aluminum (LME spot per metric ton)	2487.82	2345.50	6.1%	2607.14	-4.6%
Natural Gas (Futures 10,000 MMBtu)	2.60	2.51	3.5%	2.59	0.5%
Economic Indicators:	5/31/2024	1/31/2024	% Change YTD	4/30/2024	% Change (Monthly)
Consumer Price Index	313.2	309.7	-1.1%	313.2	0.0%
Producer Price Index	257.0	255.0	-0.8%	259.2	-0.9%
	1Q24	4Q23	3Q23	2Q23	1Q23
GDP Growth Rate (Quarterly)	1.40%	3.40%	4.90%	2.10%	2.20%
Unemployment Rate (End of Month)	May 4.0%	April 3.9%	March 3.8%	February 3.9%	January 3.7%

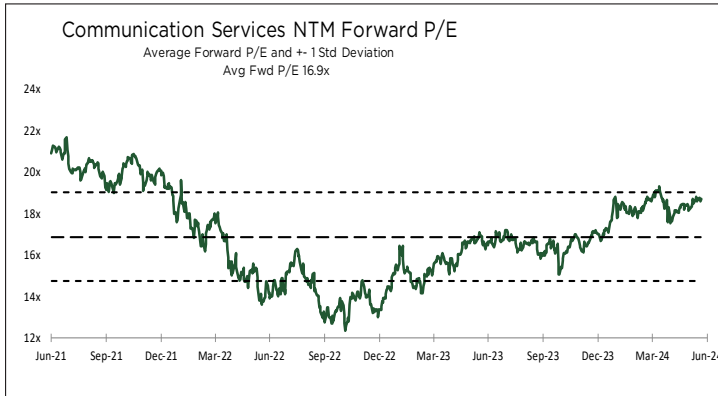
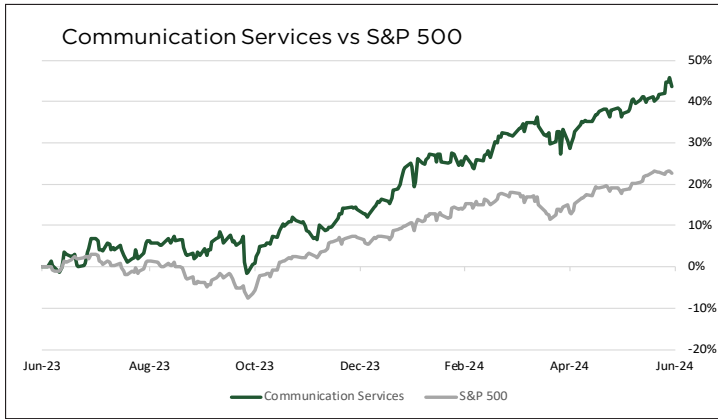
*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. **S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation. Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Economic Analysis, US Treasury website.

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COMMUNICATIONS SERVICES



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.71%	9.11%	26.09%	43.55%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance 1 Month

Leaders	Company	1 Month
	Meta Platforms Inc	8.0%
	Alphabet Inc	5.6%
	Alphabet Inc	5.4%
	Netflix Inc	5.2%
	AT&T Inc	4.9%
Laggards	Paramount Global	-12.8%
Warner Bros Discovery	-9.7%	
Interpublic Group	-7.3%	
Walt Disney Co/The	-4.4%	
Omnicom Group Inc	-3.5%	

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$13.43	\$15.28	\$16.96
23.1x	20.3x	18.3x

Sector Update

Communications Services and its Interactive Media & Services sub-sector outpaced the market in June driven by the performance of Alphabet and Meta Platforms. Both companies benefited from the recovery of the digital ad market and investor enthusiasm about their generative AI initiatives.

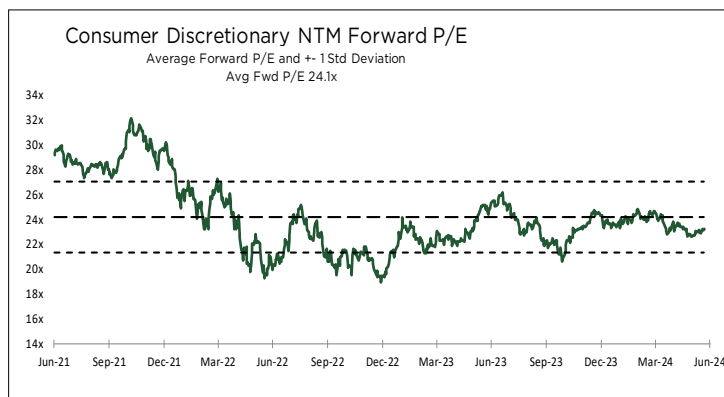
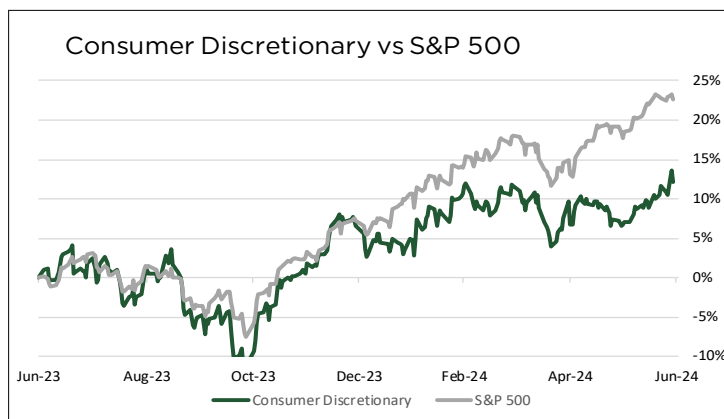
During Upfronts 2024 (broadcast and streaming content providers showcased their programming for the 2024/2025 season), Netflix revealed that it reached 40 million ad-supported subscribers, up from 5 million a year ago. In addition, several streaming content providers reported that they generated higher revenue per subscriber from their lower priced ad-supported service than from their higher priced, ad-free services.

The Entertainment sub-sector underperformed the market in June due to the sharp decline in the shares of Paramount Global and Warner Brothers Discovery. While investors were disappointed that Paramount Global's controlling shareholder Shari Redstone ended merger talks with Skydance Media, the Wall Street Journal recently reported that Shari Redstone reached a preliminary agreement to merge Paramount Global with Skydance Media.

Warner Brothers Discovery (WBD) shares declined after its management did not sign a new eleven-year agreement with the NBA to air games on its TNT network. WBD management considered the deal uneconomical. Professional sports, including the NBA and NFL, are the most highly viewed content on broadcast TV and streaming media platforms and generate significant advertising revenue. According to recent news reports, the NBA is in contract negotiations with Amazon Prime, Comcast's NBC Universal, and Disney's ESPN for the rights to air NBA games on broadcast TV and streaming media platforms over the next eleven years.

The Communications Services sector appears close to fairly valued, with a P/E of 20.3x and 18.3x the consensus analyst FY24/ FY25 EPS estimates, compared to estimated FY25 earnings growth of 11% and its average twelve-month forward P/E multiple of 16.9x.

CONSUMER DISCRETIONARY



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.82%	0.45%	5.22%	12.15%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance 1 Month

Leaders	Company	1 Month
	Carnival Corp	24.1%
	Norwegian Cruise Line	13.2%
	Caesars Entertainment	11.8%
	Expedia Group Inc	11.6%
	Tesla Inc	11.1%
Laggards	Bath & Body Works Inc	-24.8%
	NIKE Inc	-20.7%
	Pool Corp	-15.5%
	Aptiv PLC	-15.4%
	Deckers Outdoor Corp	-11.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$54.71	\$57.66	\$65.42
27.3x	25.9x	22.8x

Sector Update

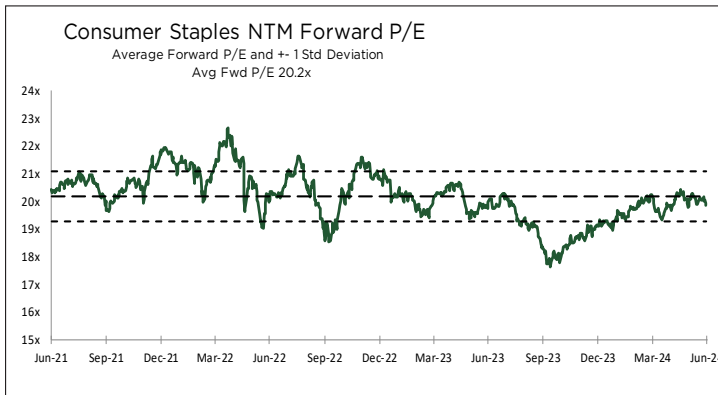
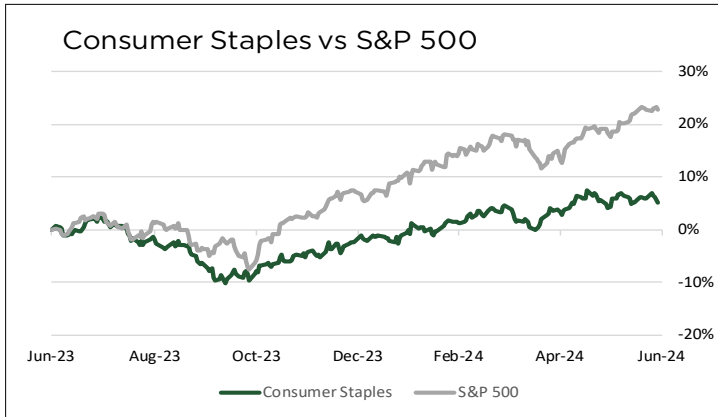
The Consumer Discretionary sector outperformed the broader market in June amidst ongoing signs of weakening consumer metrics. Among Consumer Discretionary subsectors, the strongest performance for the month was seen in the Automobiles category followed by Multiline retail. Subsectors that were softest included Textiles, Apparel & Luxury Goods and Auto Components. The Consumer Discretionary sector has underperformed the S&P 500 on a 3-months, year-to-date, and trailing twelve months basis as seen in the accompanying chart.

Consumer confidence slipped in June according to the Conference Board. In the face of an elevated price environment, June consumer confidence declined to 100.4 from a revised 101.3 reading in May. In addition to high inflation, consumer confidence appears to be reflecting the ongoing drag from an elevated interest rate environment. The Conference Board also reported its forward-looking Expectations index that reached the lowest level in over a year at 73.0 versus 74.9 last month. The expectations index assesses the outlook by consumers over a six-month window with consumers indicating reluctance to complete large purchases such as buying a home due to high interest rates. On a more positive note, the University of Michigan consumer sentiment index rose in June to 68.2 from a preliminary June reading of 65.6. The report indicates that high inflation and slow income growth appear to be weighing on consumer sentiment.

Consumers are showing some reluctance to spend with the Census Bureau reporting that May retail sales advanced just 0.1% versus April. The below expectations result reflects a weakening consumer amidst a softening wage environment and increasing credit card debt. On a year-over-year growth basis, retail sales were up 2.3% with strength seen in online and miscellaneous store retailers partially offset by weakness in categories such as furniture and building materials. With about two-thirds of the U.S. economy linked to the consumer, softening retail spending data raises concerns about the sustainability of broader economic growth.

Cracks appear to be emerging in housing market data which reflect slowing sales in the face of record high home prices. For the third month in a row, existing home sales declined with the National Association of Realtors reporting that May home sales dropped 0.7% from April to an annualized rate of 4.11 million units. On a year-over-year basis, existing home sales are down by 2.8%. The weakness in home sales comes amidst rising home prices which advanced 5.8% in May versus the prior year to an average of \$419,300 as well as a pickup in homes available for sale which has climbed to a 3.7 month supply representing the highest point since mid-2020 albeit still well below pre-COVID levels.

CONSUMER STAPLES



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.53%	0.69%	7.55%	5.27%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance

Leaders	Company	1 Month
	Costco Wholesale Corp	5.0%
	Colgate-Palmolive Co	4.4%
	Clorox Co/The	3.7%
	Kimberly-Clark Corp	3.7%
	Walmart Inc	3.0%
Laggards	Walgreens Boots	-25.4%
	Estee Lauder Cos	-13.7%
	Dollar Tree Inc	-9.5%
	Kraft Heinz Co/The	-8.9%
	General Mills Inc	-8.0%

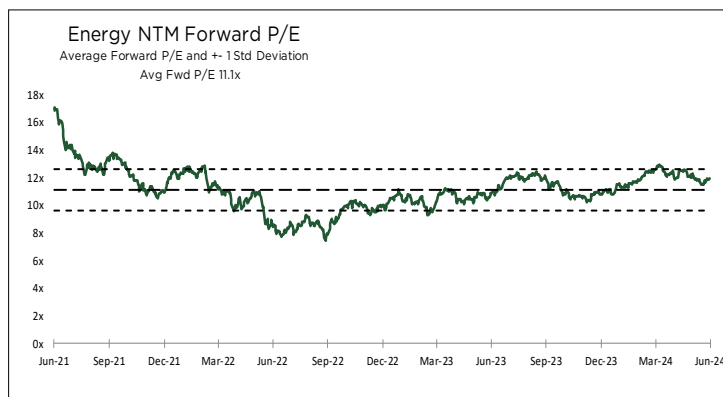
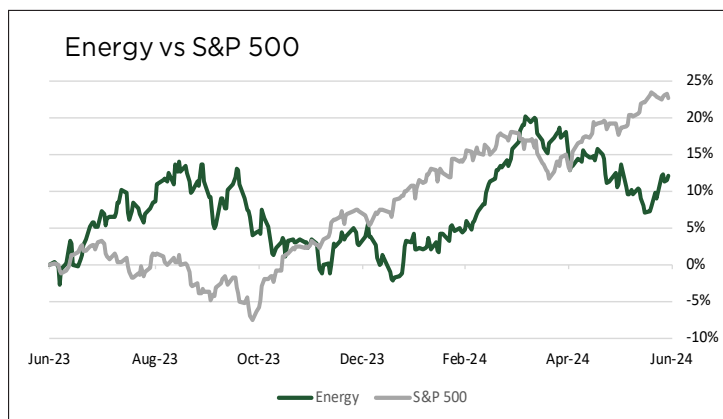
Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$38.64	\$39.78	\$42.54
21.2x	20.6x	19.3x

Sector Update

The Consumer Staples sector decreased by 0.5% on average in June and underperformed the S&P 500 Index, which increased by 3.5%. YTD through June, the Consumer Staples segment increased 7.6% vs the S&P 500, which rose 14.5%. Food and Staples Retailing and Household Product segments reported gains for the month, while Food, Personal, and Tobacco Product segments all reported declines. The Consumer Staples segment trades with a current forward P/E of about 20.6x, which is slightly ahead of its average forward P/E. We continue to advise a selective investment among the Consumer Staples stocks and prefer an investment in companies with pricing, leading market share, strong balance sheets, and experienced management. The domestic consumer appears bifurcated, with the lower-end consumer increasingly price- and value-selective while the upper-end continues to purchase premium products but seeks more value at mass merchandise stores.

Approaching earnings updates by companies expected in July and August, beer companies are expected to report a solid quarter and note that momentum in the market has extended through 2Q across key markets. The outlook remains positive for the upcoming key summer selling season, along with expected favorable shelf resets in the U.S. The domestic energy category is currently trending more positively and is showing optimism that sales for the category should accelerate in the key summer season. Inventories at retail appear better positioned following a reduction that weighed on early Q2 results. Growth for the U.S. spirits category is about 1%, which remains below the long-term trend of mid-single-digit growth. Inventories in the domestic spirits distribution channel remain elevated but appear to be correcting. In the Household and Personal Care segments, companies, during their recent Investor Conference presentations, highlighted that most of the key markets ex-China are strong and emphasized their focus on gross profit dollars. Recent U.S. scanner data shows Household Product company volumes improving further, with Personal Care & Beauty still trending below 1Q. For 2H, the market continues to watch the level of promotions, consumer shopping patterns, and pricing trends. The industry, in general, remains rational and continues to operate in a relatively rational price promotional environment. However, if volumes do not inflect as expected, the risk of greater competitive price promotion rises along with potential margin pressure. Portfolio transformation across the Consumer Staples segment through divestments and acquisitions, as well as streamlining the number of product offerings, also remains a key theme.



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.39%	-3.19%	9.09%	11.97%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance 1 Month

Leaders	Company	1 Month
	Targa Resources Corp	8.9%
	Baker Hughes Co	5.0%
	Schlumberger NV	2.8%
	Williams Cos Inc/The	2.4%
	Kinder Morgan Inc	1.9%
Laggards	EQT Corp	-10.0%
	Halliburton Co	-8.0%
	Coterra Energy Inc	-6.5%
	Hess Corp	-4.3%
	Chevron Corp	-3.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$55.17	\$55.00	\$62.35
12.7x	12.7x	11.2x

Sector Update

The Energy sector declined in June as uncertainty in the continuing conflicts in the Middle East and Europe appeared to weigh on sentiment. Against this backdrop, the Energy Equipment & Services subsector outperformed the Oil, Gas & Consumable Fuels subsector in June. For the month, the Energy sector underperformed the S&P 500 and underperformed on a 3-month, YTD, and trailing twelve-month basis.

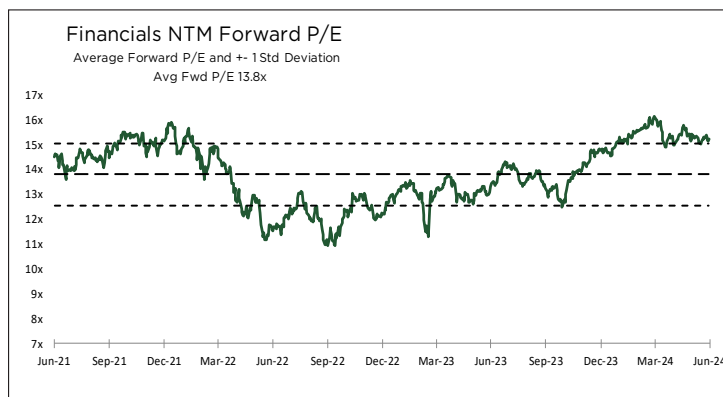
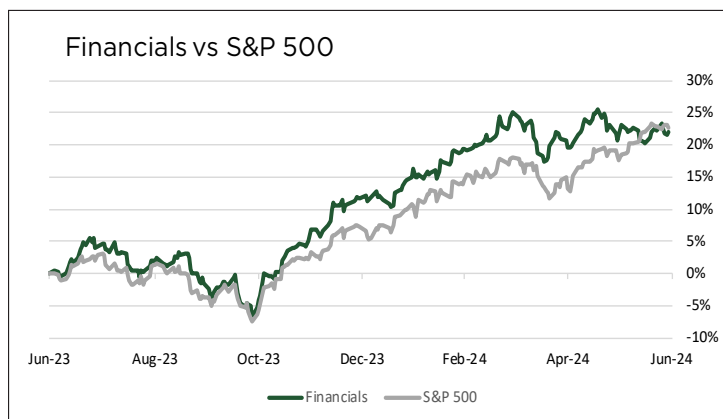
In an updated medium-term outlook report from the International Energy Agency (IEA) in mid-June, overall oil market supply is expected to continue outpacing demand growth. While demand remains strong in fast-growing economies as well as in the aviation and petrochemicals sectors, longer-term gains may be offset by rising electric vehicle sales, fuel efficiency improvements in conventional vehicles, the declining use of electricity in the Middle East, and structural economic shifts. As a result, the IEA report forecasts that global oil demand, including biofuels, will level near 106 million barrels per day towards the end of the decade, compared to 2023's average of 102 million barrels per day. Demand growth is expected to be primarily focused in Asian countries such as India for use in shipping and the Chinese petrochemicals industry.

Non-OPEC+ producers, led by the United States and other producers in the Americas, are at the forefront of global production capacity growth to meet anticipated demand. Total supply capacity is expected to rise to ~114 million barrels a day by 2030, which is 8 million barrels per day above projected global demand. The last time spare capacity levels were this high was during the height of the COVID-19 lockdown in 2020. IEA Executive Director Fatih Birol commented, "This report's projections, based on the latest data, show a major supply surplus emerging this decade, suggesting that oil companies may want to make sure their business strategies and plans are prepared for the changes taking place."

West Texas Intermediate (WTI) crude oil prices moved higher in June, with WTI trading from the \$76.99 per barrel range to end the month around \$81.54 per barrel. Natural gas prices were essentially flat, with an increase of a cent from \$2.59 btu per million. Retail gasoline fell in the month to an average of \$3.49 per gallon compared to last month's average of \$3.54, which is also up from the prior year's level by a cent. Prospects of stronger demand in the summer and Houthi attacks in the Red Sea along with intensifying Iran-backed Hezbollah and Israel tensions may have contributed to the month's rally.

The Baker Hughes oil rig count decreased to 581 this month from last month's figure of 600. U.S. crude oil inventories grew 3.6 million barrels in the week ending June 21st to 460 million barrels, which is up from last month's level of 455 million barrels. Following the downturn seen during the height of the pandemic in 2020, U.S. crude oil production has been in an uptrend, which continued during 2023. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 13.1 million barrels per day at the end of the month.

FINANCIALS



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.02%	-2.43%	9.25%	21.95%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance 1 Month

Leaders		1 Month
Synchrony Financial		7.7%
Discover Financial		6.6%
Moody's Corp		6.0%
S&P Global Inc		4.3%
Aon PLC		4.2%
Laggards		
PayPal Holdings Inc		-7.9%
Chubb Ltd		-5.8%
American International		-5.8%
Travelers Cos Inc/The		-5.7%
Huntington Bancshares		-5.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$42.50	\$43.61	\$46.55
16.1x	15.7x	14.7x

Sector Update

The Financials sector retrenched slightly more than 1% in June, lagging the 3.5% gain in the S&P 500® index during the same period. The Financials sector also lags the S&P 500 performance on a trailing three-, six-, and twelve-month basis, with notably wider YTD and Q2 performance gaps compared to the TTM period. The Capital Markets sub-sector was the best performing among Financials in June and the only sub-sector posting a monthly gain, although up just 0.5%. All other subsectors declined in a range of -0.3% to -2.3% in the month with Diversified Financial Services being the worst performing group.

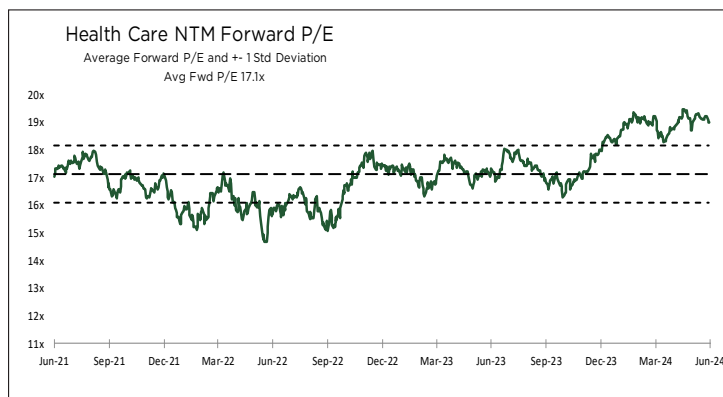
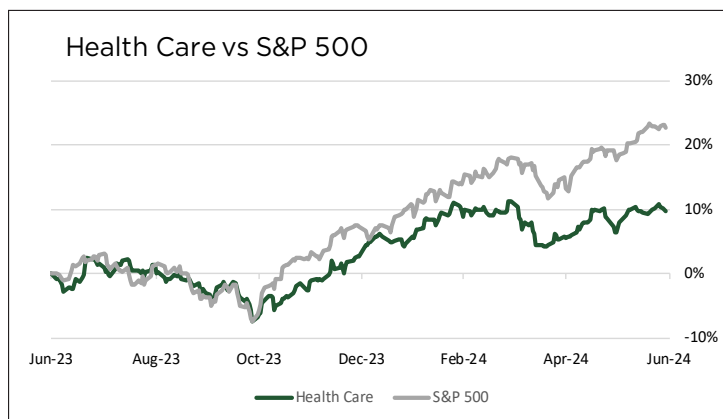
A key annual release in the Financials sector occurred closer to month-end, as the Federal Reserve Board (FRB) announced the results of its annual bank stress test known as the Comprehensive Capital Analysis and Review (CCAR). All 31 participating institutions 'passed' the stress testing, embedding a 10% unemployment rate and 8.5% decline in GDP—along with collapsed asset prices including a 40% decline in commercial real estate property values, 55% declines in equity prices, 36% lower home values, and default of the largest trading counterparty for money-center banks. During the hypothetical economic crash, which would have resulted in ~\$684 billion of cumulative industry losses, the Fed found that tested banks were able to maintain more than double the minimum capital requirements at an aggregate level.

More importantly, CCAR results inform bank management teams of their new regulatory capital minimums that drive capital planning assumptions including dividend and share repurchase policies. Citigroup (C), JPMorgan Chase (JPM), Bank of America (BAC), and Wells Fargo (WFC) all announced dividend increases in a range of 5.7% (C) to 14% (WFC), along with capacity to repurchase shares. JPMorgan announced a new \$30B repurchase authorization along with an 8.7% proposed dividend increase. Citi was a standout in the 2024 CCAR cycle as the only mega-cap bank to see a lower minimum capital requirement compared to the prior year.

While stress test results and subsequent capital return announcements present near-term catalysts, key drivers of earnings growth remain in question ranging from loan demand to consumer health, capital markets activity and interest income pressures related to elevated deposit/funding costs for the banks. The sector kicks off Q2 earnings season in the second week of July.

The Financials Sector currently trades at a forward P/E ratio of 15.7x FY24 expectations, well above its three-year average forward twelve-month multiple (13.8x). Valuations in the sector appear fair to full and will require selectivity in the face an uncertain near-term fundamental outlook not apparent in current credit spread or volatility measures.

HEALTH CARE



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.76%	-1.37%	6.91%	9.80%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance 1 Month

Leaders	Company	1 Month
	Insulet Corp	13.9%
	Intuitive Surgical Inc	10.6%
	Eli Lilly & Co	10.4%
	Regeneron Pharmaceu-	7.2%
	Gilead Sciences Inc	6.8%
Laggards	Moderna Inc	-16.7%
	Solventum Corp	-10.9%
	Henry Schein Inc	-7.6%
	Cooper Cos Inc/The	-7.4%
	Centene Corp	-7.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$72.43	\$82.74	\$97.01
23.5x	20.5x	17.5x

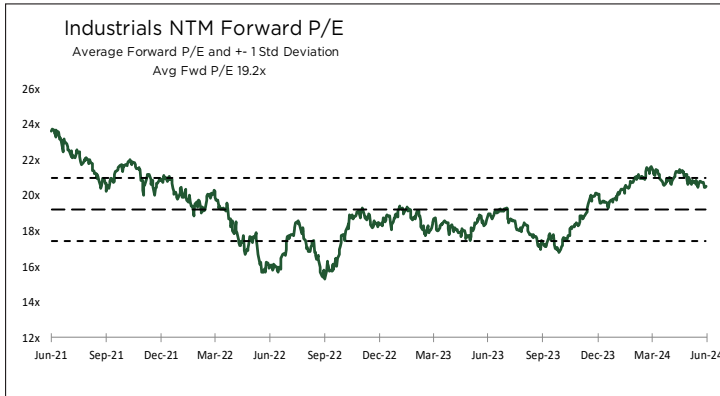
Sector Update

The Health Care sector increased 1.76% in June, underperforming the S&P 500's 3.47% gain. Election uncertainty and a cloudy macroeconomic environment may have impacted the performance of the Health Care sector in June. Drug development spending appeared to be normalizing earlier in the year, although the persistent debate about interest rate policy may have lowered investors' confidence for a potential rebound. Labor and inflation appear to have remained challenges for hospital operators, although CAPEX budgets and procedure trends remained strong in June. Meanwhile, positive news emerged for Health Insurance companies during the month after a federal judge ruled that the Center for Medicare Services (CMS) must redo certain Medicare Advantage quality scores.

Regulatory developments once again took center stage within the Health Care sector in June. Early in the month, a federal judge ruled that CMS violated the Administrative Procedure Act of 1946 when the CMS modified how star ratings are calculated. Medicare star ratings impact the amount of bonus payments that the government pays insurance companies for providing Medicare. Following this lawsuit, the government may have to pay out millions more in bonuses to health insurance companies. Medicare also arose as a topic of discussion during June's presidential debate, as did drug pricing and the Affordable Care Act. The Biosecure Act, which would restrict U.S. medical providers from working with foreign biotech companies of concern, was excluded from a major U.S. defense spending bill that passed during June. This exclusion may have eased immediate concerns for certain foreign healthcare stocks, although certain analysts believe that this legislation may pass in the future due to bipartisan support.

The Biotechnology, Health Care Equipment & Supplies, Health Care Providers & Services, and Pharmaceuticals subsectors reported a gain in June. Similar to May, the Biotechnology subsector led Health Care with a 3.8% gain, followed by Pharmaceuticals with a 3.7% gain. While upcoming patent cliffs and the IRA bill have been a pressure to shares, decent first quarter earnings may have helped shares advance in May. The Health Care sector trades at a current forward P/E ratio of 20.5x, above the historical average of 17.1x.

INDUSTRIALS



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.05%	-3.26%	6.97%	13.64%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance 1 Month

Leaders	Company	1 Month
	FedEx Corp	18.1%
	Uber Technologies Inc	12.6%
	Rockwell Automation	6.9%
	Rollins Inc	6.8%
	Verisk Analytics Inc	6.6%
Laggards	Builders FirstSource Inc	-13.9%
	Generac Holdings Inc	-10.2%
	Stanley Black & Decker	-8.4%
	Howmet Aerospace Inc	-8.3%
	United Airlines Holdings	-8.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$45.33	\$47.09	\$53.67
22.8x	21.9x	19.2x

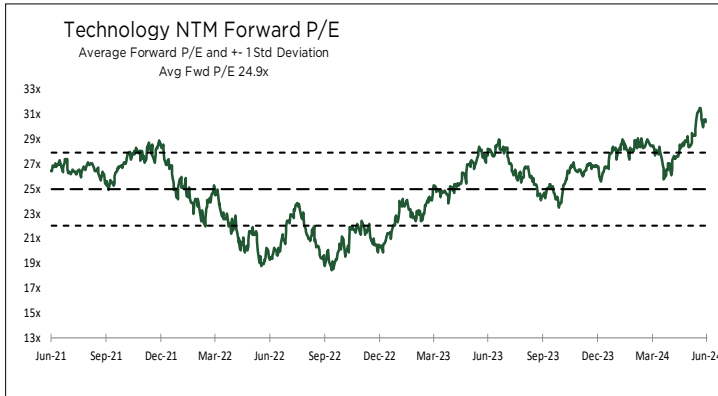
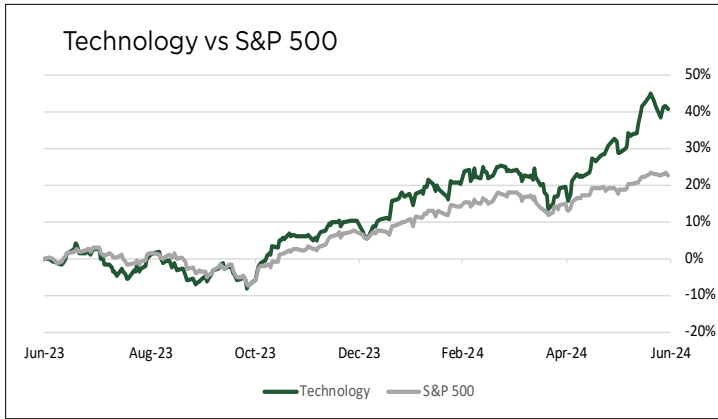
Sector Update

The Industrial Sector declined 1.05% in June, underperforming the 3.47% gain in the S&P 500. Following June's performance, the Industrial sector has underperformed the S&P 500 on a trailing 12-month basis, a year-to-date basis, and a three-month basis. A cloudy economic backdrop and varying interest rate expectations may have contributed to underperformance in June due to the cyclical nature of the Industrials sector.

The Institute for Supply Management's Purchasing Managers Manufacturing Index, or PMI index, contracted in June for the third consecutive month. After breaking a 16-month streak of contraction in March, the PMI index fell in April, May, and June. PMIs came in at 48.5 in June, down from 48.7 in May and 49.2 in April. The New Orders Index remained in contraction territory with a reading of 49.3, 3.9 points higher than May's reading of 45.4. This June New Orders Index reading represents a modest improvement after reaching the lowest reading since May 2023 in the previous month. Printing & Related Support Activities, Petroleum & Coal Products, Primary Metals, Furniture, Paper Products, Miscellaneous Manufacturing, Nonmetallic Mineral Products, and Chemical Products reported gains within the New Orders Index during the month. Meanwhile, the Production Index entered contraction territory in June, registering 48.5 versus 50.2 in May.

Within the Industrials sector, the worst-performing subsectors in the month were Construction & Engineering with a 7.9% decline, Airlines with a 3.8% decline, and Trading Companies & Distributors with a 3.4% decline. The best-performing subsectors in the month were Air Freight & Logistics with a 5.2% gain, Industrial Conglomerates with a 4.6% gain, and Road & Rail with a 2.3% gain. The Industrial Sector is trading at a Forward P/E of 21.9x, above the sector's three-year average of about 19.2x.

INFORMATION TECHNOLOGY



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
9.29%	13.61%	27.79%	40.68%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance

Leaders	Company	1 Month
	Adobe Inc	24.9%
	Autodesk Inc	22.7%
	CrowdStrike Holdings	22.2%
	Broadcom Inc	20.8%
	Oracle Corp	20.5%
Laggards	Enphase Energy Inc	-22.0%
	First Solar Inc	-17.0%
	Jabil Inc	-8.5%
	ON Semiconductor	-6.1%
	Microchip Technology	-5.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$112.47	\$132.51	\$158.58
38.6x	32.8x	27.4x

Sector Update

The Technology sector and five of its six sub-sectors outperformed the market in June. The Semiconductor & Semiconductor Capital Equipment sector rose 9.8% in June driven by Broadcom. Given higher than expected demand from hyperscale cloud companies for its custom semiconductor and networking solutions, Broadcom raised its FY24 generative AI and revenue guidance from \$10 and \$50 billion to \$11 and \$51 billion.

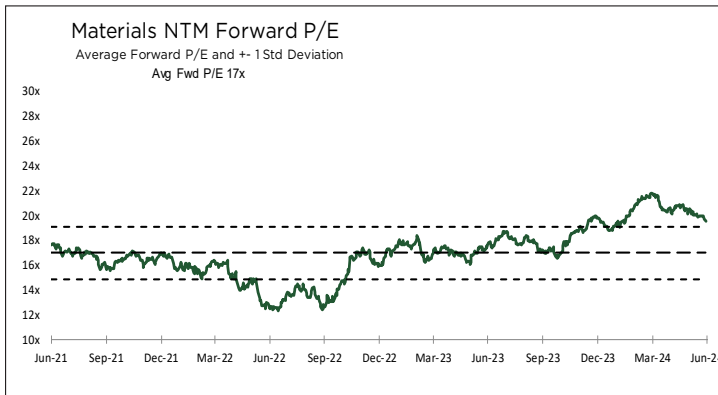
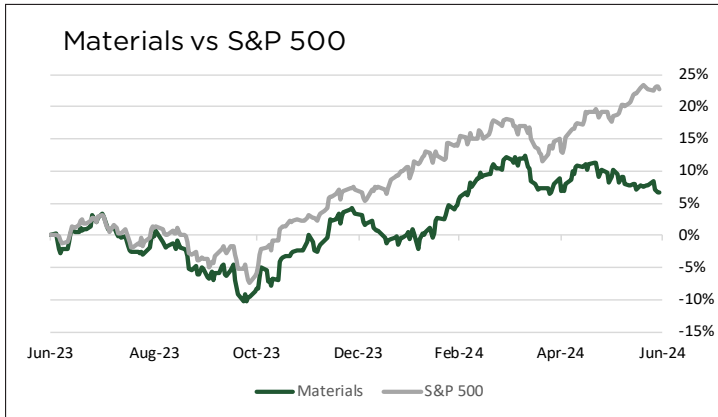
While semiconductor companies and their hyperscale cloud customers have been the primary beneficiaries of corporate and government generative AI demand, it appears that IT services and software companies have begun to benefit from generative AI.

The IT Services sub-sector (+5.3%) outperformed the market in June driven by Accenture. The company expects its revenue growth to accelerate from 1.4% year-over-year in the recent quarter to 4%-6% in Q-4 24. This revenue inflection is driven by higher enterprise demand for consulting services so that they can complete their digital transformation process and invest in generative AI. Software companies could benefit from this trend, since the digital transformation process includes corporations' transition from legacy, on-premise software to cloud-based software. SAP's recent requirement that its enterprise customers transition from on-premise to cloud-based software may have contributed to companies' increased inclination to complete their digital transformation.

The Software sub-sector (+9.8%) outperformed the market in June driven by the shares of Adobe, Autodesk, CrowdStrike and Oracle. Adobe reported better than expected results driven by generative AI. The company's generative AI product enhancements contributed to increased customer subscription renewals at higher prices as they opted to include Adobe's new gen AI products/services as part of their subscriptions.

The Technology sector appears close to fairly valued, with a P/E of 32.8x and 27.4x the consensus analyst FY24/FY25 EPS estimates, compared to estimated FY25 EPS growth of 20% and its average twelve-month forward P/E of 24.9x.

MATERIALS



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.26%	-4.90%	3.13%	6.62%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance 1 Month

Leaders	Company	1 Month
	Ecolab Inc	2.5%
	Linde PLC	0.8%
	Newmont Corp	-0.2%
	Packaging Corp of	-0.5%
	International Flavors &	-1.0%
Laggards	Albemarle Corp	-22.1%
	Ball Corp	-13.6%
	Celanese Corp	-11.3%
	Dow Inc	-7.9%
	Freeport-McMoRan Inc	-7.8%

Consensus FY EPS / P/E

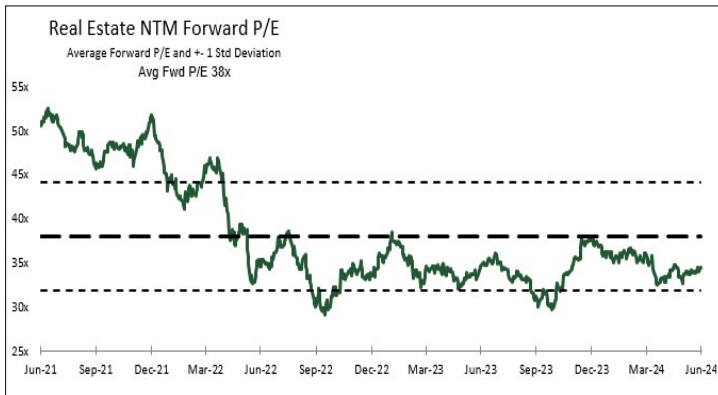
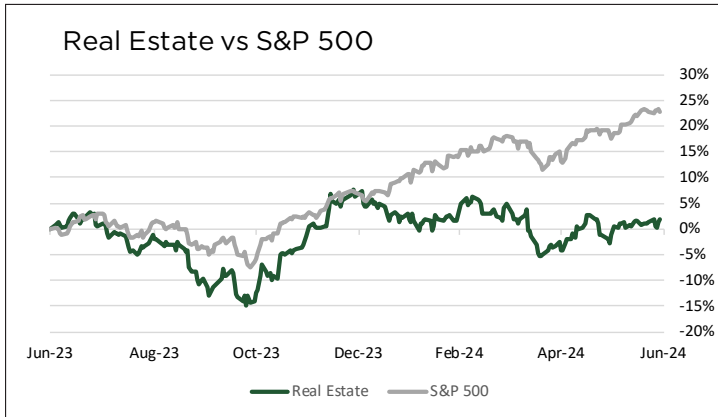
Last Year	Current Year	Next Year
\$25.40	\$26.50	\$30.58
21.9x	21.0x	18.2x

Sector Update

The Materials segment decreased by 3.3% in June and underperformed the S&P 500 Index, which increased by 3.5%. Results turned lower across the segments. The Materials segment now trades with a current forward P/E of about 21.0x and above its average forward P/E of about 17x. Key tailwinds for 2H include normalizing demand that should positively drive volume growth across key segments, including autos, construction, medical, etc. Customer inventories appear better positioned, which should support a more favorable 2H outlook with expected solid demand. Capital spending projects, interest rates, and end market demand remain key drivers for earnings across the groups. Selective investment among the group remains a key factor, with a preference for strong management teams and high-quality businesses.

Companies continue to focus on driving costs lower through scale and efficient production. Mortgage rates recently decreased slightly but remain elevated on a longer-term comparison. Pending home sales fell 2.1% in May, hitting their lowest level dating back to 2001, while the supply of homes available for sale started to build (up 35% from year-ago levels but still down 30% from pre-COVID levels), suggesting that housing prices may be poised to cool with the overall housing market not showing early cycle recovery on the horizon. Investors expect the Fed could lower interest rates by one or two cuts by year end. Homebuilders continue to report a solid spring season, and focus centers on performance during the key summer selling season along with demand. Worldwide demand for copper is expected to lift to above-trend 2.7-3% annual growth, with consumption increasing by roughly 2 million tons by 2030, according to Bloomberg. North American demand is expected to outpace the rest of the world, driven by the build-out of data centers to support generative AI, along with the shift towards EVs and renewable power generation. The current copper deficit due to the closure of Cobre Panama and other supply disruptions creates a challenge until 2025 when Cobre Panama is scheduled to be restarted. Portfolio transformation through divestments and acquisitions, as well as streamlining the number of product offerings, also remains a key theme. With strong company balance sheets, further M&A activity is expected. For 2024, key factors to monitor include interest rate trends, consumer behavior and confidence trends, inventory levels, realized pricing, the outlook for the macroeconomic environment, capital spending, and volume.

REAL ESTATE



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.33%	-2.82%	-4.14%	1.90%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance

Leaders		1 Month
Iron Mountain Inc		11.1%
AvalonBay Communi-		7.4%
Extra Space Storage Inc		7.3%
Mid-America Apartment		6.7%
Equity Residential		6.6%
Laggards		
Weyerhaeuser Co		-5.5%
CoStar Group Inc		-5.2%
Crown Castle Inc		-4.7%
Alexandria Real Estate		-1.7%
Healthpeak Properties		-1.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$12.75	\$12.98	\$13.77
18.9x	18.6x	17.5x

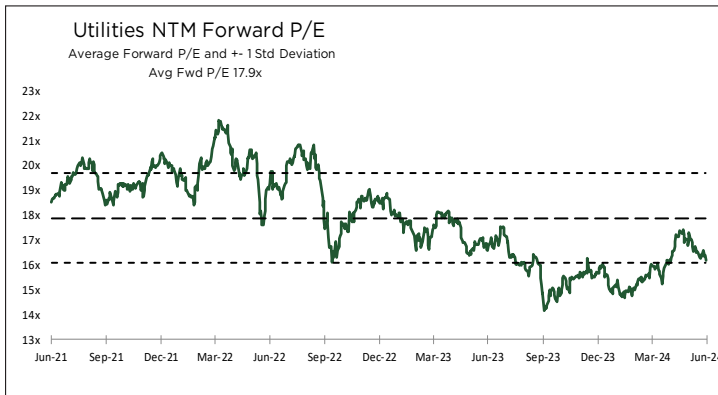
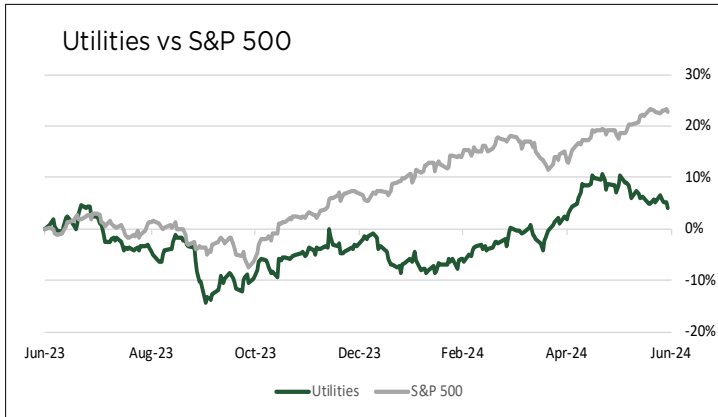
Sector Update

The Real Estate sector once again lagged the broad market (S&P 500) in June as interest rates turned higher as the month progressed. The Benchmark 10-year Treasury touched a recent bottom at 4.28% on June 6th and then gradually headed higher closing the month in the 4.48% range as the FOMC's updated Summary of Economic Projections or 'dot plot' post the June 12th meeting had Fed Governors anticipating just one, 25 BPS, rate cut could be forthcoming in the 2H2024. In contrast, investor expectations have targeted two such cuts by yearend. Also, at his post FOMC session press conference, Fed Chair Powell reiterated that while progress on containing inflation had been forthcoming, the FOMC needed to see sustained trends to gain confidence before cutting the funds rate. Thus, a higher for longer stance sustains competitive yields on a range of fixed income investments versus those offered by Real Estate, contributing to the sector's underperformance over the past year versus the S&P 500 (that itself has been driven by a narrow participation of AI related mega cap stocks). As such, the modest 1.33% gain for the Real Estate sector in June and year to date depreciation of 4.14% both have significantly lagged that of the S&P 500.

We sense that future returns for Real Estate will likely remain closely tied to the outlook for interest rates and trends for the U.S. economy. Latest economic datasets point to a slowing economy as now emerging with employment trends softening and consumer spending flattening. Although an economic slowdown could drive a shift in Fed policy later this year, a recession if forthcoming could stifle consumer spending impacting real estate leasing demand. Still, a moderating U.S. economy escaping recession would seem to offer lower interest rates into 2025 - supportive of interest rate sensitive bond proxy issues including real estate over the intermediate term. In the meantime, emergence of the artificial trade (AI) continues to drive demand for data centers, while other subsectors such as senior housing and most recently apartment operators have seen improved fundamentals offering enhanced pricing power above cost inflation offering potential for improved earnings/FFO into 2H2024.

Commentary from many Real Estate executives presenting at the June 3-6th National Association of REITs conference in New York was encouraging as firms focused on apartments and self-storage suggested pricing trends which are normalizing with stronger demand fundamentals suggesting rate increases are poised to return to the historical 4-5% pace. Not surprisingly, data centers remain a hot sector with very strong demand tied to the emergence of AI. Presentations by Iron Mountain, Avalon Bay, and Extra Space Storage at NaREIT each pointed to improving fundamentals that saw these issues ramp by 7-11% in June. On the other hand, single family housing construction/sales trends remain challenged with no evidence yet of any early cycle improvement on the horizon. This created volatility and pressure on shares of Weyerhaeuser and CoStar Group that both backed off about 5% in June, while a restructuring announcement from Crown Castle - focused on their fiber business - including 10% employee headcount cuts and lowered earnings guidance impacted that stock with a similar roughly 5% retrenchment.

UTILITIES



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-5.75%	3.85%	7.58%	4.07%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.47%	3.92%	14.48%	22.70%

Company Performance

Leaders		1 Month
CenterPoint Energy Inc		1.5%
Atmos Energy Corp		0.6%
NiSource Inc		-0.9%
Alliant Energy Corp		-1.1%
American Water Works		-1.2%
Laggards		
AES Corp/The		-18.6%
Vistra Corp		-13.2%
NextEra Energy Inc		-11.5%
Dominion Energy Inc		-9.1%
Exelon Corp		-7.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
\$19.17	\$20.49	\$22.39
18.1x	16.9x	15.5x

Sector Update

Utilities broke a string of solid performance in recent months, declining 5.8% in June as the worst performing sector in the period. Utilities lagged the 3.5% gain in the broader market S&P 500® index, which was driven more narrowly by a very strong 9.3% advance in the heavily weighted Technology sector. All but two Utilities sector components pulled back in the month in a range of -0.9% and -18.6%. Leading into June, the Utilities sector reflected heightened investor interest as an AI growth theme, given increasing data center demand appears poised to drive significant multi-year investment in power production and delivery in the US and abroad. While long-term demand growth expectations remain in place, key beneficiaries of the AI driven rally were the worst performers in June. Further, the June FOMC update with just one potential rate cut in its 'dot plot' provided an additional headwind to sector performance as the group is broadly leveraged to lower rates. The Utilities sector lagged the S&P gains over the past three-, six-, and twelve-month periods with comparisons having improved more recently despite a wide performance gap in June.

Arlington, VA based AES Corp (AES) was the worst performing Utility in June, down 18.6% in the period in a reversal of AI driven momentum from the prior month. AES was a noted beneficiary of potential AI and data center demand in April and May given its outsized relative exposure to multinational contracted renewables. Vistra (VST) and NextEra (NEE) were also among the worst performers in June, but among the best performing Utilities in the prior two months. That is, much of the weakness seen in the Sector in June appears to largely reflect a reversal or retrenchment of optimism around secular growth opportunities as they are not tangible in the very near-term.

While interest rate direction and macro uncertainty may continue to be primary drivers of Utility performance in 2024, the Sector continues to be well-positioned for potential above-trend earnings growth on a multi-year basis given significant visibility into long-term capex cycles around AI-driven power demand, transmission and distribution line modernization, and renewable energy projects supported by regulators.

The Utilities sector continues to appear attractively valued relative to its historical trend as the group trades approximately one standard deviation below its three-year average forward earnings multiple of 17.9x. The sector remains a beneficiary of lower rates and could see improvement in performance if soft landing optimism erodes—driving a defensive rotation in the broader market while providing attractive current yields and multi-year opportunities supporting earnings growth. Given these factors, we continue to see Utilities as overweight relative to its 2.26% weight in the S&P.

ECONOMIC CALENDAR

Date	Release	For	Prior
1-Jul	S&P Global US Manufacturing PMI - Final	Jun	51.70
1-Jul	ISM Manufacturing Index	Jun	48.7%
1-Jul	Construction Spending	May	0.3%
2-Jul	JOLTS - Job Openings	May	8.059M
3-Jul	MBA Mortgage Applications Index	6/29	0.8%
3-Jul	ADP Employment Change	Jun	152K
3-Jul	Initial Claims	6/29	233K
3-Jul	Continuing Claims	6/22	1839K
3-Jul	Trade Balance	May	-\$74.6B
3-Jul	S&P Global US Services PMI - Final	Jun	55.30
3-Jul	Factory Orders	May	0.70%
3-Jul	ISM Non-Manufacturing Index	Jun	53.8%
3-Jul	EIA Crude Oil Inventories	6/29	+3.59M
3-Jul	EIA Natural Gas Inventories	6/29	+52 bcf
3-Jul	FOMC Minutes	June 11-12	NA
5-Jul	Nonfarm Payrolls	Jun	272K
5-Jul	Nonfarm Private Payrolls	Jun	229K
5-Jul	Avg. Hourly Earnings	Jun	0.4%
5-Jul	Unemployment Rate	Jun	4.0%
5-Jul	Average Workweek	Jun	34.30
8-Jul	Consumer Credit	May	\$6.4B
10-Jul	MBA Mortgage Applications Index	7/6	NA
10-Jul	Wholesale Inventories	May	0.1%
10-Jul	EIA Crude Oil Inventories	7/6	NA
11-Jul	Initial Claims	7/6	NA
11-Jul	Continuing Claims	6/30	NA
11-Jul	CPI	Jun	0.0%
11-Jul	Core CPI	Jun	0.2%
11-Jul	EIA Natural Gas Inventories	7/6	NA
11-Jul	Treasury Budget	Jun	-\$347.1B
12-Jul	PPI	Jun	0.2%
12-Jul	Core PPI	Jun	0.00
12-Jul	Univ. of Michigan Consumer Sentiment - Prelim	Jul	NA
16-Jul	Retail Sales	Jun	0.1%
16-Jul	Retail Sales ex-auto	Jun	-0.1%
16-Jul	Import Prices	Jun	-0.4%
16-Jul	Import Prices ex-oil	Jun	-0.3%
16-Jul	Export Prices	Jun	-0.6%
16-Jul	Export Prices ex-ag.	Jun	-0.8%
16-Jul	Business Inventories	May	0%
16-Jul	NAHB Housing Market Index	Jul	43
17-Jul	MBA Mortgage Applications Index	7/13	NA

ECONOMIC CALENDAR

17-Jul	Building Permits	Jun	1386K
17-Jul	Housing Starts	Jun	1277K
17-Jul	Capacity Utilization	Jun	78.7%
17-Jul	Industrial Production	Jun	0.9%
17-Jul	EIA Crude Oil Inventories	7/13	NA
18-Jul	Continuing Claims	7/6	NA
18-Jul	Initial Claims	7/13	NA
18-Jul	Leading Indicators	Jun	-0.5%
18-Jul	EIA Natural Gas Inventories	7/13	NA
18-Jul	Net Long-Term TIC Flows	May	\$123.1B
23-Jul	Existing Home Sales	Jun	4.11M
24-Jul	MBA Mortgage Applications Index	7/20	NA
24-Jul	New Home Sales	Jun	NA
24-Jul	EIA Crude Oil Inventories	7/20	NA
25-Jul	Adv. Intl. Trade in Goods	Jun	NA
25-Jul	Adv. Retail Inventories	Jun	NA
25-Jul	Adv. Wholesale Inventories	Jun	NA
25-Jul	Chain Deflator-Adv.	Q2	NA
25-Jul	Continuing Claims	7/13	NA
25-Jul	Durable Goods -ex transportation	Jun	NA
25-Jul	Durable Orders	Jun	NA
25-Jul	GDP-Adv.	Q2	NA
25-Jul	Initial Claims	7/20	NA
25-Jul	EIA Natural Gas Inventories	7/20	NA
26-Jul	PCE Prices	Jun	NA
26-Jul	PCE Prices-Core	Jun	NA
26-Jul	Personal Income	Jun	NA
26-Jul	Personal Spending	Jun	NA
26-Jul	Univ. of Michigan Consumer Sentiment - Final	Jun	NA
30-Jul	FHFA Housing Price Index	May	NA
30-Jul	S&P Case-Shiller Home Price Index	May	NA
30-Jul	Consumer Confidence	Jul	NA
31-Jul	MBA Mortgage Applications Index	7/27	NA
31-Jul	ADP Employment Change	Jul	NA
31-Jul	Employment Cost Index	Q2	NA
31-Jul	Pending Home Sales	Jun	NA
31-Jul	EIA Crude Oil Inventories	7/27	NA
31-Jul	FOMC Rate Description	Jul	NA

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An index is not available for direct investment; therefore, its performance does not reflect the expenses, fees and taxes generally paid with the active management of an actual portfolio.

Sectors and sector components defined by Standard & Poor's GICS Level 1 index. For the list of all holdings in GICS Level 1 index sectors, contact your Davenport Financial Advisor.

Leaders: Represent top five best stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

Laggards: Represent top five worst stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

Members: The GICS Level 1 Telecommunication Services sector has only three component companies. This sector will not include "Leaders and Laggards", but will show all three members and their price performance over the previous calendar month.

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Dow Jones Industrials: The Dow Jones Industrial Average is an index of 30 "blue chip" stocks of U.S. "industrial" companies.

NASDAQ Composite: The Nasdaq-100 Index is a "modified capitalization-weighted" index designed to track the performance of a market consisting of the 100 largest and most actively traded non-financial domestic and international securities listed on The Nasdaq Stock Market, based on market capitalization.

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FTSE 100: The FTSE 100 is an index of the leading shares on the London Stock Exchange. **Shanghai Composite:** The SSE Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

Nikkei Stock Average: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the United States.

Stoxx Europe 600: The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

MSCI Emerging Markets: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. (MSCI Website).

MSCI Emerging Markets Small Cap: The MSCI Emerging Markets Small Cap Index includes small cap representation across 23 Emerging Markets countries. With 1,889 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.

US Dollar Index (USDXY, DXY): An index (or measure) of the value of the United States dollar relative to a basket of currencies, often referred to as a basket of US trade partners' currencies.

VIX: The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

Shanghai Composite (SSE Index): The Shanghai Composite Index, also known as the SSE Index is a stock market index of all stock (A shares and B shares) that are traded at the Shanghai Stock Exchange.

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