Softening labor picture sends stocks higher.

The economy

- Major U.S. equity market indexes moved higher during the shortened trading week ending July 5. (U.S. financial markets were closed on Thursday in observance of the Independence Day holiday.) Several mega-cap technology stocks again led the tech-heavy Nasdaq Composite Index and the broad-market S&P 500 Index to new record highs during the week. Additionally, investors took a generally favorable view of comments from Federal Reserve (Fed) Chair Jerome Powell and the employment report for June, on hopes of an earlier-than-expected September interest-rate cut from the central bank.
- At a monetary policy conference in Portugal sponsored by the European Central Bank on Tuesday, Powell declined to say whether the central bank would implement a rate cut following the Fed's meeting in mid-September. However, he acknowledged that the Fed has made "significant progress" toward its goals of lower inflation and stable economic growth. Powell commented that the central bank needs to see more evidence of slowing inflation before it can begin to reduce interest rates. "We just want to understand that the levels that we're seeing are a true reading on what is actually happening with underlying inflation," he noted. "We want to understand that the levels that we're seeing are a true reading on what is actually happening with underlying inflation."
- The Department of Labor reported that U.S. payrolls expanded by 206,000 jobs in June, slightly ahead of market expectations and a decline from the 218,000 added in May, which represented a downward adjustment of 54,000 from the government's initial tally of 272,000 released last month. Additionally, the Department of Labor revised the job gains for April downward by 57,000 to 108,000. The unemployment rate ticked up 0.1 percentage point to 4.1%-its highest level since October 2021. Markets reacted positively to the news, as investors interpreted it as a sign that the Fed would be more inclined to deliver a September rate cut amid weakening labor market data. Employment in the government, health care, and social assistance sectors increased by 70,000, 49,000, and 34,000 jobs, respectively, during the month. Average hourly earnings rose 0.3% in June, and increased 3.9% year-over-year. The 12-month advance was down from the 4.1% annual rise in May.
- According to the Department of Labor's Job Openings and Labor Turnover Survey (JOLTS), another gauge of the status of the U.S. labor market, job openings in the U.S. increased 221,000 (2.8%) to 8,140,000 in May (the most recent reporting period)—but were down significantly from the 9,311,000 openings a year earlier. However, the total remained well above the pre-pandemic level of 6,995,000 openings in February 2020. There were notable month-over-month gains in open positions in the health care and social assistance, and state and local government education sectors, and a decline in job openings in leisure and hospitality. The job openings rate (calculated by dividing the number of job openings by the sum of the total number of employees and the number of job openings) was 4.9% in May, up 0.1 percentage point from the previous month, but below the 5.6% rate recorded in May 2023.
- The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) dipped 0.2 percentage point to 48.5 in June—below market expectations. The reading indicated contraction in the U.S. manufacturing sector for the third consecutive month. (A PMI reading under 50 indicates a decrease in manufacturing activity.) The ISM's New Orders Index rose 3.9 percentage points month-over-month to 49.3, but remained in contraction territory. The Production Index declined 1.7 percentage points to 48.52 in June—the first contraction in activity in 17 months.

Stocks

- Global equities gained ground during the week. Developed markets outperformed emerging markets.
- U.S. stocks also recorded positive returns for the week. Communication services and information technology were the top-performing sectors, while energy and health care lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield fell to 4.28% during the week.
- Global bond markets advanced during the week.
- Corporate bonds led the markets, followed by government bonds and high-yield bonds.

The Numbers as of July 5, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.6%	12.1%	21.0%	815.2
MSCI EAFE ($)	2.3%	5.9%	14.0%	2367.8
MSCI Emerging Mkts ($)	1.7%	7.9%	12.1%	1104.2
US & Canadian Equities				
Dow Jones Industrials ($)	0.7%	4.5%	16.1%	39375.9
S&P 500 ($)	2.0%	16.7%	26.2%	5567.2
NASDAQ ($)	3.5%	22.3%	34.2%	18352.8
S&P/ TSX Composite (C$)	0.8%	5.3%	11.3%	22059.0
UK & European Equities				
FTSE All-Share (£)	0.8%	6.0%	13.1%	4486.1
MSCI Europe ex UK (€)	1.4%	9.0%	15.4%	1836.0
Asian Equities				
Topix (¥)	2.7%	21.9%	26.7%	2884.2
Hong Kong Hang Seng ($)	0.5%	4.4%	-4.0%	17799.6
MSCI Asia Pac. Ex-Japan ($)	1.7%	9.0%	12.9%	576.5
Latin American Equities				
MSCI EMF Latin America ($)	2.4%	-16.2%	-7.0%	2231.7
Mexican Bolsa (peso)	-0.2%	-8.8%	-2.0%	52360.6
Brazilian Bovespa (real)	1.9%	-5.9%	7.6%	126303.2
Commodities ($)				
West Texas Intermediate Spot	2.9%	17.1%	16.8%	83.9
Gold Spot Price	2.4%	15.5%	25.0%	2386.6
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.3%	-2.9%	2.2%	457.9
JPMorgan Emerging Mkt Bond	0.1%	1.9%	9.4%	864.8
10-Year Yield Change (basis points*)				
US Treasury	-12	40	25	4.28%
UK Gilt	-5	59	-53	4.12%
German Bund	6	53	-7	2.55%
Japan Govt Bond	2	47	67	1.08%
Canada Govt Bond	0	39	1	3.50%
Currency Returns**				
US$ per euro	1.2%	-1.8%	-0.4%	1.084
Yen per US$	-0.1%	14.0%	11.6%	160.77
US$ per £	1.3%	0.7%	0.6%	1.282
C$ per US$	-0.3%	3.0%	2.0%	1.364

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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