

June 3, 2024

Weekly Viewpoint

April Showers Bring May Flowers

Performance for Week Ending 5/31/2024

The Dow Jones Industrial Average (Dow) lost -0.98%, the Standard & Poor's 500 Index (S&P 500) fell -0.51% and the Nasdaq Composite Index (NASDAQ) shed -1.10%. Sector breadth was mixed with 6 of the S&P sector groups closing higher and 5 closing lower. The Energy sector (+2.01%) was the best performer while Technology (-0.1.46%) was the weakest.

Index*	Closing Price 5/31/2024	Percentage Change for Week Ending 5/31/2024	Year-to-Date Percentage Change Through 5/31/2024
Dow	38686.32	-0.98%	+2.64%
S&P 500	5277.51	-0.51%	+10.64%
Nasdaq	16735.02	-1.10%	+11.48%

Market Observations: 5/27/2024 – 5/31/2024

Although the S&P 500 finished the week lower, breaking a five-week winning streak, the broader market index finished the month of May up 4.8%, its best May performance since 2009. While renewed inflation and interest rate concerns have been front and center, they've been outweighed by the better than expected first quarter earnings season and signs US economic growth remains resilient.

Fed's Beige Book Report: The U.S. central bank's latest temperature check on the health of the economy showed U.S. economic activity expanded at a "slight or modest" pace across most regions since early April and consumers pushed back against higher prices. The Fed's Beige Book survey of regional business contacts said, "retail spending was flat to up slightly, reflecting lower discretionary spending and heightened price sensitivity among consumers." In addition, the report stated that the "overall outlooks grew somewhat more pessimistic amid reports of rising uncertainty and greater downside risks." Employment rose at a slight pace with eight of twelve districts reporting "negligible to modest job gains." Several districts reported wage

growth at, or moving toward, pre-pandemic levels. Prices increased at a “modest pace” over the period with business contacts noting consumers pushed back against additional price increases.

Fedspeak: New York Fed President John Williams said he expects inflation to continue falling in the second half of this year, adding that elevated borrowing costs are restraining the economy. Williams said that while inflation is still too high, Fed policy is well positioned and the imbalances between supply and demand are easing. “With the economy coming into better balance over time and the disinflation taking place in other economies reducing global inflationary pressures, I expect inflation to resume moderating in the second half of this year,” Williams said in prepared remarks at the Economic Club of New York. Minneapolis Fed President Neel Kashkari said the US central bank’s policy stance is restrictive, but policymakers haven’t entirely ruled out additional interest-rate increases. “I don’t think anybody has totally taken rate increases off the table,” Kashkari said at an event in London. “I think the odds of us raising rates are quite low, but I don’t want to take anything off the table.” Atlanta Fed President Raphael Bostic said he’s hopeful that the “explosive” price pressures seen during the Covid-19 pandemic will normalize over the next year. Speaking at a conference in Atlanta, Bostic said that many of the different measures of inflation he looks at on his dashboard “are moving back into the target range.”

Economic Roundup: A Commerce Department report showed the economy grew 1.3% during the first quarter, below the initial estimate of 1.6% and notably slower than the 3.4% pace in the final three months of 2023. The composition was mixed, reflecting downward revisions to consumption, but upward revisions to nonresidential fixed investment, residential investment, and government spending. Meanwhile, initial jobless claims increased 3k to 219k in the week ended May 25, slightly ahead of the 217K expected by economists. The four-week moving average of claims—which helps to smooth the week-to-week volatility—rose by 3k to 223k. Despite the modest uptick in claims, they remain at levels that indicate little signs of stress in labor market. US consumer confidence unexpectedly rose in May for the first time in four months as views about business conditions and the labor market were less negative. The Conference Board’s gauge of sentiment increased to 102 (est. 96.0) from an upwardly revised 97.5 in April.

Q1 EPS Season: Through Friday, 490 members of the S&P 500 have released results with just over 80% beating expectations. Aggregate earnings for this group are up 7.80%, more than double expectations at the start of earnings season. On the sector front, the strongest growth has come from Communication Services (+41.4%) followed by Utilities (+30.5%) and Consumer Discretionary (+30%). On the flip side, Energy (-25.7%) and Healthcare (-25.5%) have posted the weakest results. A look at full year growth expectations shows analysts forecasting 9.5% growth this year followed by 13.8% growth in 2025.

The Week Ahead: The focal point on the data calendar will be the monthly payroll report on Friday. According to Bloomberg data, economists expect May nonfarm payrolls to expand by 190K while the unemployment rate is forecast to hold steady at 3.9%. Other jobs related data slated for release includes the JOLTS Job Openings data (Tuesday) and the ADP Employment Change report on Wednesday. Investors will also pay close attention to the

ISM indices for May (due out on Monday for manufacturing and Wednesday for services). It will be a light week on the earnings front with just six members of the S&P 500 scheduled to release results. The Fed speaking calendar will be quiet as Fed officials will be subject to the traditional quiet period ahead of next week's FOMC gathering.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

This material contains opinions of the author, but not necessarily those of Guggenheim Partners, LLC, or its subsidiaries. The opinions contained herein are subject to change without notice. Forward-looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable, but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information. No part of this material may be reproduced or referred to in any form, without express written permission of Guggenheim Partners, LLC.

Investing involves risk, including the possible loss of principal.

Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, and GS GAMMA Advisors, LLC. Securities offered through Guggenheim Funds Distributors, LLC, an affiliate of Guggenheim, SI, GFIA and GPIM.

©2024 Guggenheim Investments. All rights reserved. #61590