

THINGS TO WATCH

Jay and Janet on the Hill

Federal Reserve Chair Jerome Powell will deliver his semi-annual testimony to the Senate Banking Committee tomorrow, while Treasury Secretary Janet Yellen is scheduled to testify before the House Financial Services Committee (HFSC) on the international financial system. On Wednesday, Powell will continue his twice-a-year monetary policy report before the HFSC. Based on recent comments, the Fed Chair will likely strike a dovish tone by calling out the progress made in quelling inflation in recent quarters. Yellen is expected to field pointed questions by GOP lawmakers led by HFSC Chair Patrick McHenry on the trajectory of the U.S. deficit.

Three straight months of soft-ish inflation?

Thursday morning, Bureau of Labor Statistics data is expected to show the headline consumer price index (CPI) climbed 0.1% in June after readings of 0.0% in May and 0.3% in April. If the 0.1% consensus estimate proves accurate, year-over-year CPI would drop to 3.1% from 3.3% in May, tied for the lowest reading since March 2021. Core CPI, which excludes food and energy, is projected to have been 0.2% last month, only a bit higher than the headline reading and good enough to keep the annual reading at a three-year low of 3.4%. CPI data that meets expectations or modestly surprises to the downside for a third straight month will likely be met with enthusiasm by the stock market.

Bank Results on Friday

Trends in dealmaking activity will be under the microscope when quarterly results from JPMorgan (JPM), Wells Fargo (WFC), and Citigroup (C) kick off 2Q24 earnings season Friday. As is always the case, the interplay between loan demand and funding costs for this group will also be a primary focus of investors. Any commentary from management on updated capital return plans following successful Fed stress test results in June could also make headlines.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing PMI	48.5	50.3	▼
ISM Services PMI	48.8	51.4	▼
JOLTS Job Openings (Millions)	8.14	8.81	▼
Non-Farm Payrolls (Thousands)	206	310	▼
Unemployment Rate	4.1%	3.8%	▲
Average Hourly Earnings (Y/Y)	3.9%	4.1%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	39375.87	0.69%	5.52%	17.20%
NASDAQ	18352.76	3.51%	22.73%	34.16%
S&P 500	5567.19	1.98%	17.57%	27.08%
MSCI EAFE	2349.27	2.25%	8.17%	15.26%
BB U.S. Aggregate	2152.24	0.84%	0.12%	4.03%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	5.37%	5.40%	5.34%
10-Year Treasury	4.28%	4.28%	3.93%

REPORTS DUE THIS WEEK	LATEST
NFIB Small Business Optimism	90.5
Consumer Price Index (Y/Y)	3.3%
Core Consumer Price Index (Y/Y)	3.4%
Producer Price Index (Y/Y)	2.2%
U. of Mich. Consumer Sentiment	68.2

Total returns are as of 7/5/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

8.8%

Expected year-over-year S&P 500 operating earnings growth during second quarter reporting season based on bottom-up analysts' estimates aggregated by Bloomberg Intelligence. The Magnificent 7 cohort is projected to generate 29.1% year-over-year profit growth in 2Q24 compared to just 4.7% for the rest of the index (S&P 493). By the fourth quarter, however, this gap is expected to narrow, with consensus expectations for 18.3% profit growth from the Magnificent 7 and 11.2% growth for the S&P 493.

\$695 million

Aggregate net inflows into the Financial Select Sector SPDR Fund (XLF) over the three trading days from Friday, June 28 through Tuesday, July 2, the largest 3-day net inflow into the \$41 billion fund since November 29. Flows into XLF seem to have been driven by the largest U.S. banks passing the Fed's annual stress tests, along with expectations of deregulation and a steeper yield curve amid increased odds of a GOP victory in November following the June 27 presidential debate.

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