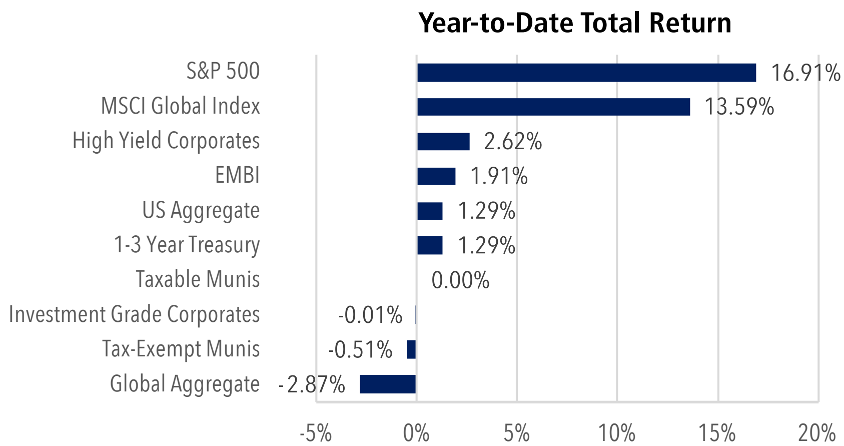
Week Ending: **July 5, 2024**

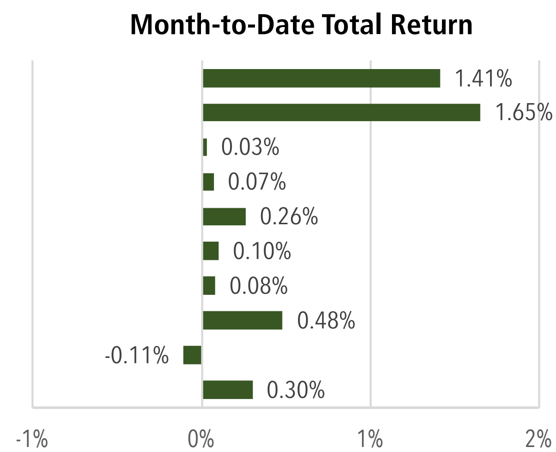
Tale of Two Surveys

Economic Overview:

As investors recovered from 4th of July barbeques, the Bureau of Labor Statistics greeted them with a larger-than-expected number of 206,000 new jobs added in June. Not everything was great in the report; the unemployment rate was up to 4.1%. What explains the divergence? We remind our readers that the jobs report comprises two surveys, household and establishment. Employment in the household survey recovered from a negative reading in May, but the labor force rose by even more, putting upward pressure on the unemployment rate. Meanwhile, the establishment survey maintains its pace of ~200k jobs, around its average levels since the summer of 2023. Despite the market odds of a September rate cut at 70%, celebrate your freedom from relying on just the household survey and embrace the reality that it will take a sharper slowdown in job growth—probably something closer to -213k in terms of payrolls—to push the Fed to cut rates.

Total Returns by Asset Class





Source: Bloomberg

Highlights of the Week:

High Yield: 2024 has seen an extraordinary wave of loan issuance, with $703 billion of new issues through the end of the first half. Those two quarters of issuance represented more volume than the market saw in seven of the last ten full years. Issuers are utilizing tighter spreads and robust demand to lock in more favorable coupon rates.

Municipals: Munis had a strong showing in June, outperforming U.S. Treasuries (UST), reflected by the MMD to UST ratios for the 5-year, 10-year, and 30-year, declining by 3, 4, and 3 percentage points, respectively. The Bloomberg Municipal Index recorded a 1.5% total return for June, while the High-Yield (HY) Muni Index posted a 2.5% return, and the taxable muni index generated a 0.9% total return. Year-to-date, the investment-grade index is down 0.4%, the High Yield Index is up 4.1%, and the taxable muni index is down 1.2%.

Equities: The U.S. equity market posted gains for this holiday-shortened week as continued strength from mega-cap tech stocks offset concerns of an economic slowdown. Sector leadership was bifurcated, with technology, consumer discretionary, and communications up more than +2.5%, while health care, materials, and industrials were down by more than -1%.