

July 2024 Recap

Joe Nitting, Director of Research, Retirement & Investment Solutions

PRELUDE

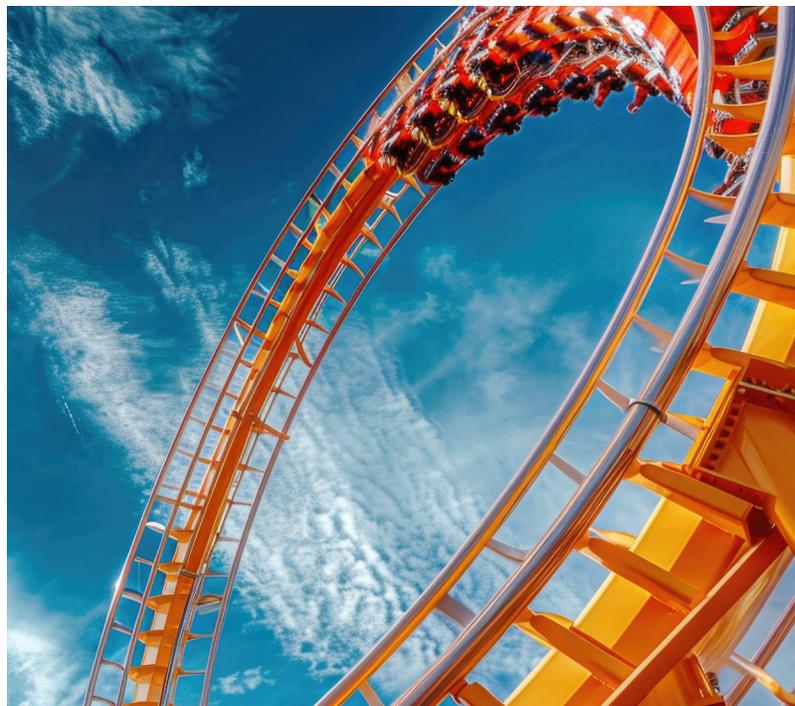
Cedar Point is a popular summer vacation destination here in northern Ohio. The amusement park consistently ranks among the best in the country and houses 68 rides, including 18 world-class roller coasters. July’s global market movements looked and felt like a ride on one of those 18 world-class roller coasters, filled with highs, lows, twists, and turns. The month began with excitement for a potential September Fed rate cut after inflation data came in cooler than anticipated. However, concern and confusion followed amid an assassination attempt on a former U.S. president and the current U.S. president unexpectedly dropping out of the 2024 election race. The month concluded with a flurry of corporate earnings releases and central bank meetings for investors to digest. Amid the eventfulness of the month, both global equities and fixed income generated mostly positive returns.

GLOBAL EQUITY

While global equities typically moved higher in July, the return landscape looked significantly different from the prior month. In the U.S., the S&P 500 eked out its sixth positive monthly return in the last seven months, returning +1.2%. However, the Magnificent Seven generally struggled as investors tempered their excitement surrounding the near-term business impact of artificial intelligence on those companies. Coinciding with the struggles of the Magnificent Seven, growth sectors like Information Technology and Communication Services moved lower and lagged their value-based

TABLE 1: Global Equity	JUL	QTD	YTD	1 YR
Dow Jones Industrial Average	4.51	4.51	9.52	17.22
S&P 500 Index	1.22	1.22	16.70	22.15
Russell 2000	10.16	10.16	12.07	14.25
Russell 1000 Growth	-1.70	-1.70	18.65	26.94
Russell 1000 Value	5.11	5.11	12.08	14.80
MSCI ACWI USD	1.61	1.61	13.10	17.02
MSCI EAFE USD	2.93	2.93	8.43	11.21
MSCI EM USD	0.30	0.30	7.81	6.27
MSCI ACWI ex US USD	2.32	2.32	8.14	9.75

Source: Bloomberg, as of 7/31/2024. Past performance does not guarantee future returns.



counterparts. Small cap stocks were a bright spot in July as the Russell 2000 rose +10.2%. Relative to their large cap counterparts, small cap companies tend to have more domestically focused businesses and often carry more floating rate debt on their balance sheets. Consequently, stronger-than-expected Q2 GDP growth and the rising probability of a September Fed rate cut disproportionately benefited small cap stocks during the month.

International markets generated positive results in July as the U.S. Dollar weakened broadly and served as a tailwind to international equity returns. Developed international markets, as represented by the MSCI EAFE Index, returned +2.9% for the month. The U.K.’s general election results led U.K. stocks to be among the better performers across Europe as investors reacted positively to the Labour Party’s overwhelming victory and a potentially more stable political landscape in the U.K. going forward. While developed markets rebounded in July, emerging markets only moved modestly higher, returning +0.3% on the back of strong Indian and South African equity returns. Chinese equities underperformed other emerging market peers as Q2 GDP growth came in below expectations and the People’s Bank of China unexpectedly cut interest rates shortly thereafter. The combination of weaker-than-expected economic growth and surprise rate cuts from the central bank fueled investor concerns about China’s growth trajectory going forward.

FIXED INCOME

The U.S. Treasury yield curve shifted downward for a third consecutive month in July, aiding fixed income returns as the Bloomberg US Aggregate returned +2.3% and moved into positive territory on a year-to-date basis. The fall in U.S. Treasuries was more pronounced on the short end of the curve amid growing anticipation for a September Fed rate cut following a mild uptick in the unemployment rate and softer-than-expected inflation data, as measured by the Consumer Price Index. However, despite short-term rates coming down during July, the U.S. Treasury yield curve remains inverted, as it has since mid-2022. High yield spreads compressed slightly during the month, propelling high yield bonds to positive returns, but spreads remain tight relative to history.

TABLE 2: Fixed Income	JUL	QTD	YTD	1 YR
Bloomberg US Aggregate	2.34	2.34	1.61	5.10
Bloomberg 1-3 Yr Gov/Credit	1.19	1.19	2.58	5.67
Bloomberg Treasury 5-7 Yr	2.54	2.54	1.97	5.31
Bloomberg Investment Grade Corp	2.35	2.35	1.88	6.54
Bloomberg High Yield Corp	1.94	1.94	4.58	11.05
JPMorgan EMBI Global Diversified	1.87	1.87	4.26	9.18

Source: Bloomberg, as of 7/31/2024. Past performance does not guarantee future returns.

Amid signs of a cooling labor market, softer-than-expected inflation data, and several dovish comments from Fed officials throughout the month, the market increased its expectations for the number of Fed rates cuts in 2024 from just one at the beginning of July to nearly three by the end of the month. Investors now expect the first Fed rate cut in 2024 to come in September, with the possibility of another coming in November and a third one in December.

POSTLUDE

Several famed stock investors typically receive credit for a saying that goes roughly as follows: “In the short run, the market is a voting machine but in the long run, it is a weighing machine.” In other words, they believe that investor sentiment often drives short-term market movements, but underlying company fundamentals drive long-term returns. In our opinion, the saying is especially relevant in today’s market environment where investors are highly focused on global politics and global central bank policies. Using the U.S. as an example, since the S&P 500’s 1957 inception, the U.S. has had 13 different presidents and eight different Federal Reserve chairs. Despite short-term market volatility under certain regimes, companies have adapted, and the S&P 500 has returned +20,164.2% cumulatively over that time (roughly +10.5% annualized). The balance of 2024 might be noisy, bumpy, and downright uncomfortable in spots, but we expect companies to continue to adapt as they have historically. Regardless of what markets may do in the near-term, we look forward to sharing the experience with our clients and coaching them through to the other side. So, buckle your seat-belts and keep your hands, feet, arms, and legs inside the vehicle at all times. It’s going to be an interesting ride.



Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm’s research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm’s defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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