PHOENIX ASSET ADVISORS, LLC

Weekly Market Recap

May 28, 2024

Market Commentary

Last Week's Highlights: Rate cut expectations slid and markets took a rally break last week. The Dow was down 2.46% last week, while the S&P 500 gained 0.05%, the Nasdaq was up 1.56%, while the Russell 2000 declined 1.29%. Bond yields inched higher last week, forcing core bond indices lower. The BBgBarc Agg Bond Index was down 0.25% for the week, while short-term bonds moved lower by 0.08%. The US dollar was slightly higher last week, which provided no help for international equities. The MSCI EAFE Index declined 0.90%, while the MSCI Emerging Markets Index lost 1.60%. **Economic Data:** It's a holiday-shortened week, but most will be watching the Fed's preferred inflation meter in the PCE Price Index. The key economic data releases this week are Case-Shiller Home Price Index, CB Consumer Confidence, Dallas Fed Manufacturing Index, Redbook Sales, Richmond Manufacturing Index, Beige Book, Q1 GDP (1st Revision), Initial Jobless Claims, Continuing Claims, Wholesale Inventories (P), Pending Home Sales, PCE Price Index, Personal Income, Personal Spending, Chicago PMI. **Earnings Releases:** Lower-end retailers along with a few Tech names report this week. The key earnings releases this week are MESA, CRM, DEO, HPQ, A, DKS, CHWY, COST, DELL, MRVL, DG, HRL, GPS, KSS, & MLAB.. **Takeaways:** Markets broke a 4-week win streak as rate cuts for September by the Fed took a hit. The latest Fed Futures show close to an even split between a 25 basis point cut to no rate change. November and December still show a high probability of a rate cut, but markets has largely built in September as the rate cut launch point. The Fed's own Now-Cast model for CPI shows only a slight increase (+0.1%) projected for May, meaning the year-over-year inflation metric could be lower at the end of the month. This week's PCE Price Index is also projected to have changed little, month-over-month. We enter the blackout period for Fed speakers, so there won't be anything for the Fed to clarify once the PCE numbers are released. Some market pundits continue to suggest the market is over-valued, which "bubble" metrics show is not the case. Historically, when equity markets have been this strong for the first 100 days of the year, the probability is that the remainder of the year will be positive. With the shorter week due to the Memorial Day holiday, and the beginning of Summer, it's likely that trading volumes will be lighter this week.

Market Returns

Sectors	1 Week Return	YTD Return
Technology	2.72%	17.88%
Industrials	-0.45%	10.08%
Energy	-3.64%	9.96%
Communication Svcs	0.08%	20.32%
Basic Materials	-1.15%	5.28%
Consumer Cyclical	-1.81%	-0.43%
Financial Svcs	-1.75%	11.18%
Real Estate	-3.54%	-5.98%
Consumer Defensive	-1.16%	8.94%
Healthcare	-1.29%	5.54%
Utilities	-1.32%	13.99%

Key Indices	1 Week Return	YTD Return
S&P 500	0.05%	11.85%
Dow Jones Industrial Average	-2.46%	4.44%
Russell 2000	-1.29%	2.10%
Nasdaq	1.56%	12.72%
MSCI EAFE	-0.90%	7.50%
BBgBarc Agg Bond	-0.25%	-1.55%
60% S&P / 40% BB Agg Bond	-0.07%	6.49%

Key Rates—as of 5/24/2024	
3mth T-bills	5.41%
2yr U.S. Treasury	4.95%
10yr U.S. Treasury	4.45%
Fed Funds	5.25%-5.50%

Investment Styles—1 Week Returns

	Value	Blend	Growth
Large	-1.77%	-0.82%	-0.06%
Mid	-1.58%	-1.07%	-0.40%
Small	-2.20%	-1.24%	-0.47%

Investment Styles—YTD Returns

	Value	Blend	Growth
Large	7.66%	12.04%	9.61%
Mid	6.43%	6.59%	7.57%
Small	0.85%	4.52%	2.69%

See important disclosures on last page.

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Recession Indicator

The current score of our Recession Indicator suggests that there is a moderate probability of a recession in the next 6-12 months. The Indicator was unchanged last week. It now stands at a level of 23. NAAIM, ANCFI, and the Financial Stress Index are at a positive levels. GDP, Housing Starts, CPI (inflation), and the Savings Rate are at moderate levels. The Yield Curve, Consumer Sentiment, Unemployment, & Wages are at levels that are typically associated with recessions. After remaining unchanged for more than 3 months, the indicator is approaching the low probability level.

Probability of Recession	
Low	30-24
Moderate	23-17
High	16-10

Source: Eudaimonia Asset Management

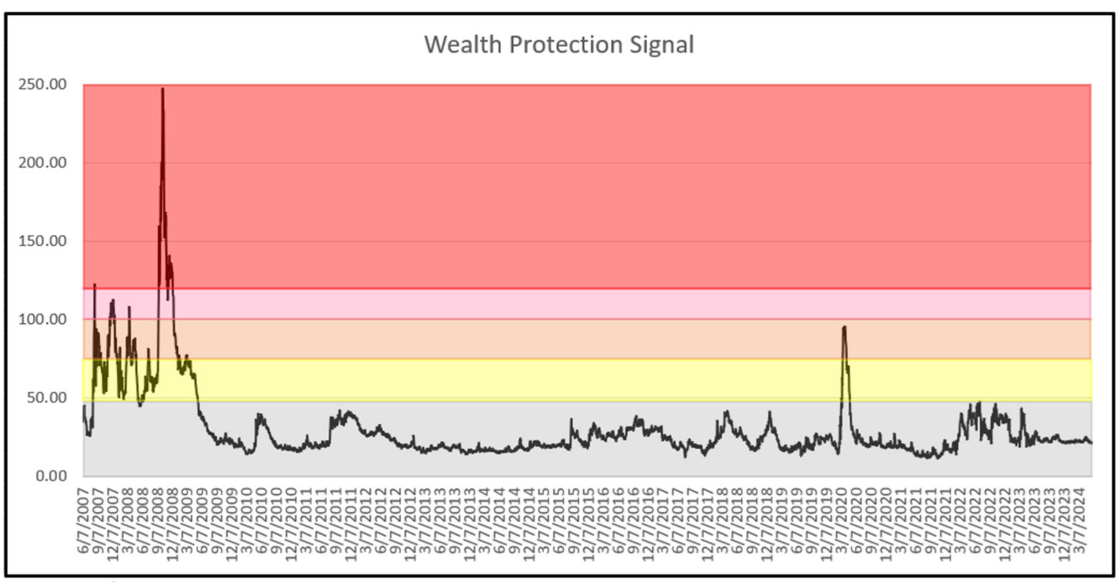
Wealth Protection Signal

Description

The Wealth Protection Signal measures panic or "fear" among investors, as well as, "volatility" in the market. The Signal is comprised of a proprietary weighting to the VIX Index (volatility) and to the TED Spread (fear). When these indices spike, major market meltdowns tend to follow. The Signal is also measured against the Yield Curve. When the 1st Cash Raise Level is reached, the Yield Curve (2yr Treasury Bond Yields > than 10yr Treasury Bond Yields) must also be inverted or have been inverted within the past 90 days in order for the 1st Cash Raise to trigger.

Current Level

The current level of the Wealth Protection Signal is at 21.37 as of Friday's close on May 24th, 2024. The Signal was relatively flat from the previous week's close. Markets grappled with stoked inflation fears and the possibility of a delayed rate cut by the Fed. The Signal would need to increase 111% to reach the 1st trigger point. The Wealth Protection Signal is currently indicating that investors should have a 0% cash-weighting as a defensive position within their respective asset allocation at this time.



Source: Eudaimonia Asset Management

Cash Raise Level
40%
30%
20%
10%
0%

Current Level
21.37
5/24/2024

See important disclosures on last page.

Disclosures

Sources: Investment Style returns are derived from Morningstar, Inc. (https://indexes.morningstar.com/indexdata#). Key Rates table derived from Bloomberg. (https://www.bloomberg.com/markets/rates-bonds/government-bonds/us). Sectors and Key Indices tables are derived from Charles Schwab Advisor Center.

Recession Indicator is comprised of 10 economic measurements including, the Yield Curve, GDP, Inflation, Wage Growth, Unemployment, Housing Starts, Consumer Sentiment, Adjusted National Financial Conditions Index, the Fed's Financial Stress Index, U.S. Savings Rate, and the NAAIM (National Association of Active Investment Managers) Index.

Wealth Protection Signal is comprised of the VIX and the TED Spread Indices. The VIX Index is the Chicago Board of Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. The TED Spread is the price difference between 3-month futures contracts for U.S. Treasuries and 3-month futures contracts for Eurodollars having identical expiration months.

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