PHOENIX
ASSET ADVISORS, LLC

Weekly Market Recap

June 3, 2024

Market Commentary

Last Week's Highlights: Inflation fears pushed equities lower last week, but inflation data released on Friday seemed to ease investors somewhat. The Dow was down 0.92% last week, while the S&P 500 declined –0.55%, the Nasdaq was down 1.24%, while the Russell 2000 edged higher by 0.02%. Bond yields were mixed along the yield curve, while bond indices were mostly higher. The BBgBarc Agg Bond Index was up 0.01% for the week, while short-term bonds were up 0.17%. The US dollar was slightly lower last week, which provided no help for international equities. The MSCI EAFE Index declined 0.04%, while the MSCI Emerging Markets Index lost 3.30%. **Economic Data:** There's a plethora of economic data to digest this week, highlighted by the Jobs Report. The key economic data releases this week are S&P Manufacturing PMI, Construction Spending, ISM Manufacturing PMI, Redbook Sales, Factory Orders, JOLTs Job Openings, Vehicle Sales, ADP Private Payrolls, S&P Services PMI, ISM Non-manufacturing PMI, Initial Jobless Claims, Continuing Claims, Nonfarm Payrolls, Unemployment Rate, Average Hourly Earnings, Wholesale Inventories, & Consumer Credit. **Earnings Releases:** Retailers and Tech highlight the earnings reports this week. The key earnings releases this week are CRWD, BBWI, ASO, LULU, DLTR, BF.B, GME, VSCO, LE, DOCU, BIG, JILL, & KIRK. **Takeaways:** The PCE Price Index for April showed that inflation was flat on both a month-over-month and a year-over-year basis. After inching higher in February and March, April's inflation was 0.3%, as expected. The current odds of a rate cut by the Fed show the strongest possibility now of happening in November. September has been considered the launch point for rate cuts, but the futures show only a 50:50 possibility of a rate cut in September, at best. The Weekly Economic Index, created by Daniel Lewis, Karel Mertens, and James Stock, tracks the 10 different daily and weekly series covering consumer behavior, the labor market, and economic production. The Index currently stands at 2.21, which is the highest level since the beginning of the year. This does not indicate a economy that is slowing down considerably. The Redbook Sales numbers showed growth of +6.3% on a year-over-year basis. This week we'll get the Jobs Report, which will let us know whether or not consumers can expect to have money in the wallet for future spending.

Market Returns

Sectors	1 Week Return	YTD Return
Technology	-1.89%	15.65%
Industrials	-0.84%	9.16%
Energy	2.11%	12.28%
Communication Svcs	-0.59%	19.60%
Basic Materials	0.12%	5.41%
Consumer Cyclical	0.42%	-0.02%
Financial Svcs	-0.01%	11.16%
Real Estate	1.73%	-4.35%
Consumer Defensive	0.00%	8.93%
Healthcare	-0.50%	5.01%
Utilities	1.71%	15.94%

Key Indices	1 Week Return	YTD Return
S&P 500	-0.55%	11.30%
Dow Jones Industrial Average	-0.92%	3.52%
Russell 2000	0.02%	2.12%
Nasdaq	-1.24%	11.48%
MSCI EAFE	-0.04%	7.46%
BBgBarc Agg Bond	0.01%	-1.54%
60% S&P / 40% BB Agg Bond	-0.33%	6.16%

Key Rates—as of 5/31/2024	
3mth T-bills	5.42%
2yr U.S. Treasury	4.88%
10yr U.S. Treasury	4.50%
Fed Funds	5.25%-5.50%

Investment Styles—1 Week Returns

	Value	Blend	Growth
Large	0.67%	-0.82%	-2.02%
Mid	0.46%	-0.08%	-3.18%
Small	1.23%	0.34%	-0.80%

Investment Styles—YTD Returns

	Value	Blend	Growth
Large	8.38%	11.12%	7.39%
Mid	6.91%	6.51%	4.15%
Small	2.09%	4.88%	1.87%

Recession Indicator

The current score of our Recession Indicator suggests that there is a <u>moderate probability</u> 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

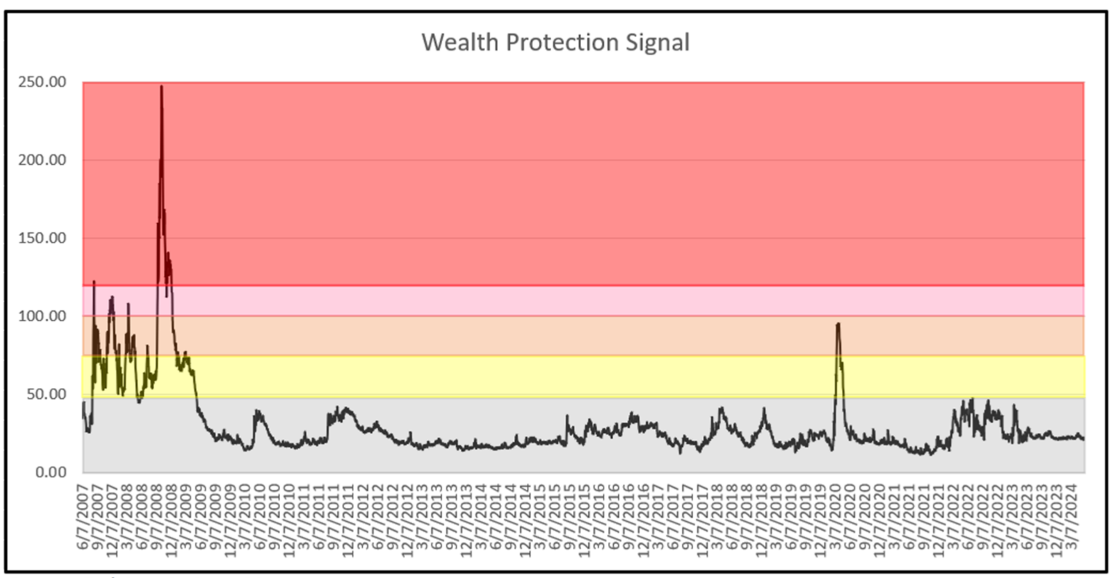
Wealth Protection Signal

<u>Description</u>

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.

<u>Current Level</u>

The current level of the Wealth Protection Signal is at 21.91 as of Friday's close on May 31st, 2024. The Signal was up 2.5% from the previous week's close. Markets continued to struggle with inflation fears until late in the week last week. The Signal would need to increase 105% to reach the 1st trigger point. The Wealth Protection Signal is currently indicating that investors should have a <u>0% cash-weighting</u> 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
21.91
5/31/2024

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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