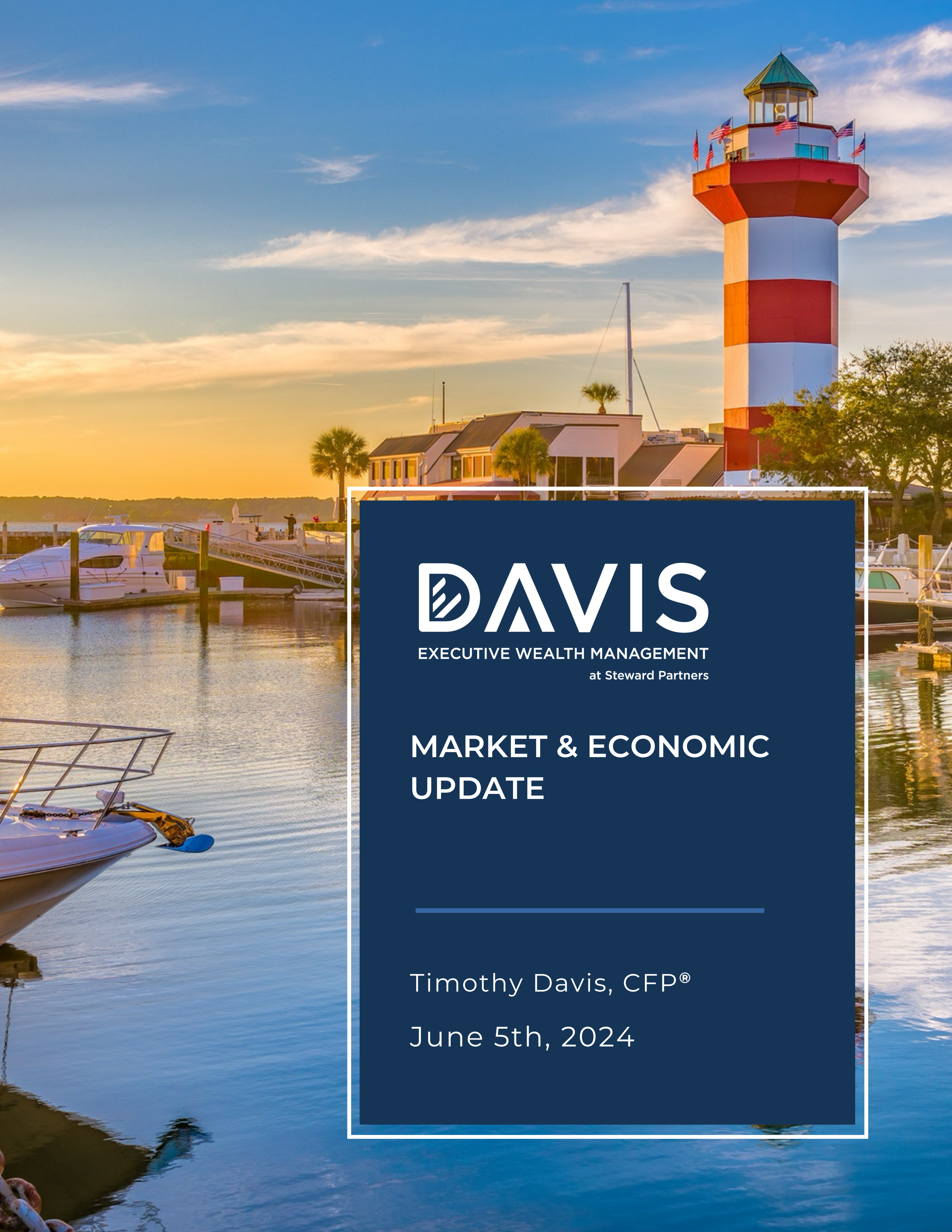


DAVIS
EXECUTIVE WEALTH MANAGEMENT
at Steward Partners

MARKET & ECONOMIC UPDATE

Timothy Davis, CFP®

June 5th, 2024

The past week has shown clear signs of a slowing economy, aligning with the Federal Reserve's goals to curb inflation by slowing growth, especially in the job market. Here's a summary of the current market and economic situation:

Treasuries:

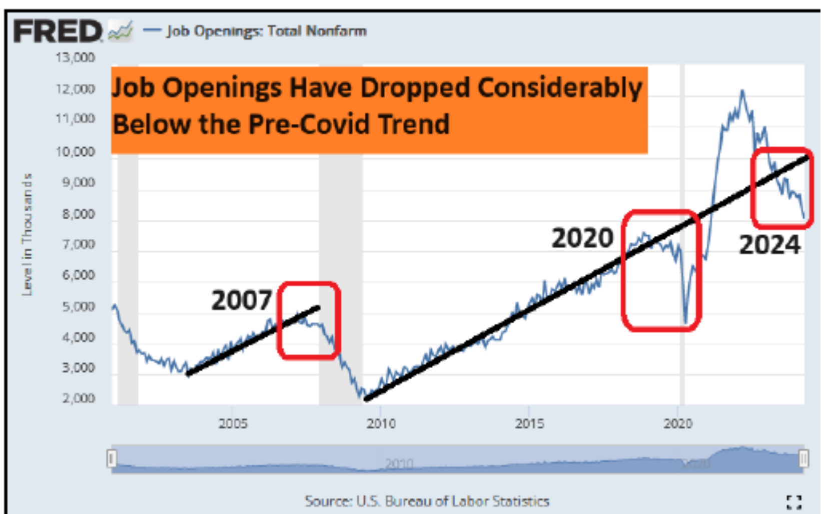
Q1 2024 GDP was revised downward, home sales dropped, and Core PCE data indicated a slowing economy. Consequently, the 10-Year Treasury yield fell sharply from 4.59% to 4.32% in just five days.

ISM Manufacturing PMI:

Fell to 48.7 (below the expected 49.8), indicating contraction in the manufacturing sector for 18 of the last 19 months. Prices paid declined but remain high at 57.

JOLTS

April's Job Openings and Labor Turnover Survey showed a significant drop to 8.059 million openings, the lowest since February 2021, and below estimates of 8.4 million. March data was also revised down substantially.



The larger-than-expected decline in job openings reported yesterday morning was digested as dovish and well-received by markets, however, the rapid pace of the decline is becoming a source of concern regarding the health of the labor market.

Yield Curve:

The 2yr/10yr US Treasury yield curve remains inverted at -0.45%, signaling potential future economic distress. Historically, an inverted yield curve precedes rate cuts and economic slowdowns.

Energy Prices:

Crude oil prices have fallen over $10 since April, reducing the geopolitical premium from the war in Israel. This decline helps lower gas prices and provides some relief to consumers.

There is some good news on the energy front. The “geopolitical” premium brought on by the war in Israel has largely been priced out and Crude oil prices have declined over $10 since peaking out in April.

This will help give the Fed some room and lower the price of gas at the pump to help the consumer at a time when they need it. It also can indicate a softer economy, so we need to watch out what we wish for.

The decline in energy has concerned us enough to eliminate any direct exposure that we have in our actively managed portfolio’s that are under our discretion.

I would like to close with some encouraging words from Tom Lee, Head of Research at FS Insight:

Tom Lee's Insights from FS Insight:

- Stocks are likely to rise in June, with historical data showing consistent gains when Q1 is up and April is down.
- The backdrop includes softening inflation and job data, with May's jobs report expected to show 190k new jobs.
- April's JOLTS data revealed a significant downside miss, indicating a sharp deceleration in job openings, with notable drops in healthcare, food service, and technology sectors.
- Positive moves in rates, oil, and VIX support equities:
    - US 10-year yield down to 4.3% from 4.6% last week
    - WTI crude down to $73 from $81 a few weeks ago
    - VIX remains below 15, currently at 13

The week will conclude with the May unemployment report, which is expected to be weak. It's crucial to maintain a balance of weak but not crashing economic indicators.

Thank you for your attention. Please feel free to ask questions or comment.

Regards,
Tim
Listen to my interview on Sirus XM's Business Briefing: https://youtu.be/URCkH5TQpa4?si=TzpkZdtKEvQnWDio

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