

Independence Asset Advisors

MONTHLY MARKET REVIEW – July 2024

	July 2024	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	1.22%	16.70%	22.15%	9.60%	15.00%	13.15%
U.S. Small Cap Equities Russell 2000	10.16%	12.07%	14.25%	1.85%	8.91%	8.72%
Energy Infrastructure Equities Alerian U.S. Midstream	2.83%	25.90%	32.49%	26.83%	15.40%	6.07%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	5.85%	5.27%	10.26%	0.03%	3.63%	5.75%
Global Equities MSCI All Country World Index	1.61%	13.10%	17.02%	5.75%	11.05%	8.74%
International Developed Equities MSCI EAFE	2.93%	8.43%	11.21%	3.63%	7.36%	4.84%
Emerging Market Equities MSCI Emerging Markets	0.30%	7.81%	6.27%	-2.74%	3.41%	2.63%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	2.34%	1.61%	5.10%	-2.63%	0.19%	1.61%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	0.91%	0.50%	3.74%	-0.86%	1.18%	2.47%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	1.94%	4.58%	11.05%	2.17%	4.20%	4.65%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.68%	5.12%	10.45%	6.39%	5.50%	4.67%

MARKET UPDATE

- Markets were volatile following the release of several key economic factors and political developments.
- Weaker than expected U.S. Consumer Price Index (CPI) and U.S. labor market data reinforced market expectations for lower interest rates, with three rate cuts priced in this year (150 bps by June 2025).
- Against this backdrop, interest-rate sensitive sectors performed the best in July, led by small cap stocks.
- U.S. large cap stocks gained 1.2%, with “value” outperforming “growth” by 6.1% (S&P 500).
- Growth stocks declined following the release of underwhelming earnings from four of the “Magnificent 7”.
- The S&P 500 Index ended July 2.6% below its record high of 5,667, closing out the month at 5,522.
- Non-U.S. equity results were positive, supported by strong UK service sector PMI and Q2 GDP results.
- Emerging markets equities lagged developed markets in July amid persistent softness in Chinese real estate.
- Fixed income categories were all positive, with declining rates across the curve. Investment grade and high yield bond yields decreased in July to 4.6% and 7.6%; loans yielded 10.1%.
- The yield curve inversion between 2-year and 10-year Treasuries narrowed to 0.20% (2-year at 4.3%).

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, npr.org, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, RBC

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> U.S. economic growth has been solid in the first half of the year, with the economy expanding by a robust 2.8% annualized rate in the second quarter.
Profits	<ul style="list-style-type: none"> 2Q24 earnings season is nearly complete with 77% of companies reporting. Earnings Per Share (EPS) is currently tracking at \$57.15, representing growth of 10.3% y/y and 6.4% q/q.
Jobs	<ul style="list-style-type: none"> U.S. job gains slowed significantly in July, growing by just 114,000. The unemployment rate rose 0.20% to 4.3%. Wage growth rose by 0.2% m/m and 3.6% y/y, the slowest pace since 2021.
Inflation	<ul style="list-style-type: none"> June Personal Consumption Expenditures Index (PCE) – Fed's Preferred Gauge: <ul style="list-style-type: none"> Headline: 0.1% m/m increase and 2.5% y/y increase. Core: 0.2% m/m increase and 2.6% y/y increase.
Interest Rates	<ul style="list-style-type: none"> The Fed voted to keep interest rates at 5.25%-5.50% when it met in July. Fed Chair Powell hinted that a September rate cut could be "on the table." The highest probable trend in Fed Funds for the remainder of 2024 are 0.25% rate cuts in September, November and December to end the year at 4.50%.

CANADA:

- The U.S. dollar index (DXY) **decreased** 1.7% in July and **increased 2.7%** year-to-date (see chart below), while the U.S. dollar **strengthened** 4.2% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.38**.
- The Bank of Canada's policy interest rate was 4.5% at month-end following a 0.25% rate cut in June.
- The central bank is expected to accelerate monetary easing by lowering its policy interest rate to 3.5% by January 2025, and 3.0% by mid-2025.
- Markets are pricing in lower interest rates following the substantial slowing of employment gains through mid-year, and with only 15,000 new jobs expected to have been added in July.
- As the Canadian population continues to rise, the unemployment rate is forecasted to increase to 6.5% in July from 6.4% in June (5.6% pre-pandemic).
- After an upside surprise in May, following the June interest rate cut, inflation is predicted to decrease to 2.7% in July, which would be lower than the long-term average of 3.2%.



Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, npr.org, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, RBC

COMMODITIES:

OIL:

- **The price of crude oil was \$77.91 per barrel (WTI).**
- Oil prices decreased \$3.55 per barrel, or 4.4%, in July.
- Crude oil traded sharply lower in July due to rising concerns of a U.S. economic recession. Oil prices were also negatively affected by an outlook for weaker demand following reports of a slowdown in U.S. job growth and manufacturing sector contraction in the U.S. and China.
- **Oil is forecasted to trade between \$70 and \$80 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$79.00	\$87.01	\$70.38	9%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

COPPER:

- **The price of copper was \$4.19 USD per pound.**
- Copper prices decreased \$0.21 per pound, or 4.8%, in July.
- Copper prices trading significantly lower in July amid fears of U.S. economic contraction and slowing growth in China. The concerns were compounded by a downturn in demand for industrial goods and implemented output mandates in China.

Year	Ave. Price	High	Low	% Change
2024	\$4.22	\$5.10	\$3.68	8%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

- **Copper is forecasted to trade between \$4.05 and \$4.35 per pound over the next 12 months.**

ALUMINUM:

- **The price of aluminum was \$2,296 USD per tonne.**
- Aluminum prices decreased \$219.50 per tonne, or 8.7%, in July.
- The July price decline resulted from an unfavorable combination of weaker demand and ample supply; Chinese production was at its highest measure since 2024 during the month.
- **Aluminum is forecasted to trade between \$2,290 USD/tonne and \$2,400 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$2,402	\$2,740	\$2,154	-4%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

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