Gregory M. Hart, CFP®
Haddon Wealth Management
2 Kings Highway W., Suite 201
Haddonfield, NJ 08033
(856) 888-1744
www.haddonwealthmgt.com / gregh@haddonwealthmgt.com

Market Update
(all values as of 07.31.2024)

Stock Indices:

Dow Jones	40,842
S&P 500	5,522
Nasdaq	17,599

Bond Sector Yields:

2 Yr Treasury	4.29%
10 Yr Treasury	4.09%
10 Yr Municipal	2.78%
High Yield	7.30%

YTD Market Returns:

Dow Jones	8.37%
S&P 500	15.78%
Nasdaq	17.24%
MSCI-EAFE	6.50%
MSCI-Europe	5.88%
MSCI-Pacific	7.62%
MSCI-Emg Mkt	6.26%
US Agg Bond	2.03%
US Corp Bond	2.16%
US Gov't Bond	1.92%

Commodity Prices:

Gold	2,491
Silver	29.22
Oil (WTI)	78.50

Currencies:

Dollar / Euro	1.08
Dollar / Pound	1.28
Yen / Dollar	154.01
Canadian /Dollar	0.72

Macro Overview

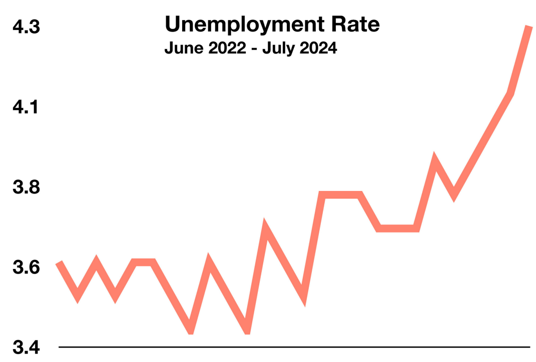
Volatility returned to the equity markets in July as earnings became a focal point for technology and other growth oriented sectors. A weaker than expected jobs report along with an increase in the unemployment rate to 4.3% ushered in a flurry of worry surrounding the continuation of economic expansion.

The ongoing conflict in the Middle East, should it escalate, may further impede on critical shipping routes and oil transports, affecting the delivery and price of goods and commodities worldwide. There is a remote possibility that the Fed may actually lower rates sooner than September and perhaps even more than anticipated should economic data and market dynamics warrant it.

Data complied by the Federal Reserve Bank of New York found that consumers are increasingly falling behind on debt payments, with delinquency rates on credit cards rising above 3% in the first quarter, the highest level since 2011. The initial rate cut is highly anticipated as economists believe that consumers can only endure so much more.

Unemployment claims rose for the ninth consecutive week in July, the longest stretch since 2018, raising the unemployment rate to 4.3%. The data suggests that people are having rising difficulty in finding a job, as companies pare back on hiring and initiating layoffs.

A closely tracked consumer sentiment index eased in July to an eight-month low as high prices continued to weigh on attitudes about personal finances. The University of Michigan Sentiment Index fell to 66.4 in July, down from 68.2 in June. The drop in sentiment reflects the continued high costs of borrowing as well as ongoing inflationary pressures with food, energy, insurance, and medical expenses.



In a sign that economic conditions are contracting in China, the Chinese government cut both short term and long term rates in July with the intent to boost growth as the country's economy has rapidly slowed down. China is currently struggling with deflationary pressures as well as a significant real estate property crisis.

A major malfunction with a widely used software platform caused widespread outages and disruption among various industries in July, The outage exposed the vulnerability to global software platforms and systems affecting various industries and companies worldwide.

Elevated interest rates continue to place pressure on the nation's deficit, costing the U.S. government billions in additional interest as Treasury rates have risen. In 2023, the interest payments reached approximately $1 trillion, driven by high interest rates and a national debt of $34 trillion. (Sources: Treasury Dept., Federal Reserve Bank of New York, University of Michigan, Labor Dept.)

HADDON
WEALTH MANAGEMENT

Volatility Returns in July As Uncertainty Prevails – Domestic Equity Update

Volatility among global equities increased in July as concern evolved that earnings expectations may not be feasible should growth falter. Technology earnings were most concerning, weighing on markets as initial forecasts were retracted and replaced with less desirable estimates. Earnings for seven of the largest companies in the S&P 500 Index are expected to affect index earnings forecasts and growth estimates.

Equity markets experienced a brief rotation to small cap stocks from larger caps in July, prompted by the expectation that rates might be headed lower as early as September. Any hint of continued inflation or elevated rates hinder small cap stocks due to the higher levels of debt carried. (Sources: S&P, Dow Jones, Bloomberg)

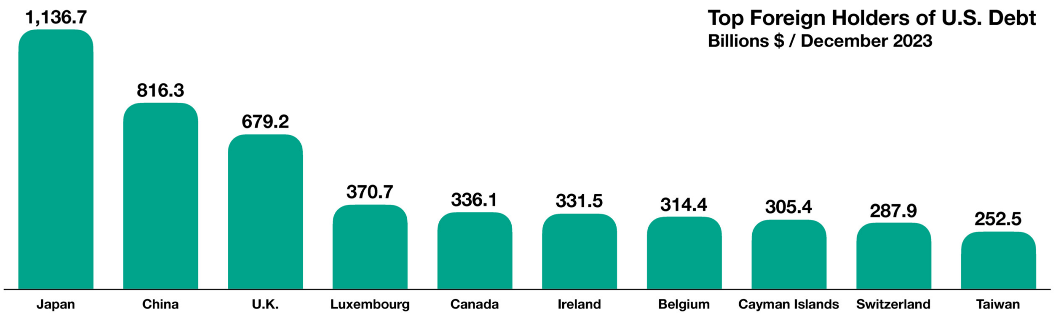
Rates Head Slightly Lower As Turbulence Escalates – Fixed Income Overview

Rates gradually headed lower in July as Treasury and corporate bonds saw yields drop and prices rise. Weak employment data and slowing economic indicators accelerated the expectation that the Fed will lower rates in September. Some analysts believe that the Fed may lower even more than expected should economic and employment data continue to weaken. The yield on the benchmark 10 year Treasury fell to 4.09%, down from 4.48% at the beginning of July. Some consumer loans based on variable rates may begin to adjust reflecting lower interest rates. (Sources: Treasury Dept., Federal Reserve)

China Dumps Record Amount of U.S. Government Debt – Federal Deficit Overview

In the first quarter of 2024, China sold a record amount of $53.3 billion worth of U.S. Treasury and agency bonds. The significant liquidations represent a notable shift in China's investment strategy and validates a continuation of its efforts to diversify away from U.S. dollar-denominated assets.

The $53.3 billion sale is the largest quarterly divestment of U.S. securities by China on record, including the sale of both U.S. Treasury bonds and agency bonds. Because of the size of the liquidations, the sales suggest an acceleration of China's diversification efforts.



The sales are part of an ongoing trend where the Chinese government has been gradually shedding billions of dollars of U.S. government debt over the past few years. The sales are part of China's efforts to diversify its foreign reserves and reduce dependence on U.S. dollar assets. Because of the enormous amount of exports to the United States, China has had to acquire and maintain billions in U.S. debt in order to help counter currency imbalances brought about by the massive imports into the U.S.

Sources: U.S. Treasury Department

Brief History of Tariffs & How It Affects U.S. Consumers – Consumer Dynamics

The history of U.S. import tariffs dates back to the early days of the nation. One of the first significant legislative actions of the newly formed United States was the Tariff Act of 1789, also known as the Hamilton Tariff. This act imposed tariffs primarily to generate revenue for the federal government and to protect burgeoning American industries from foreign competition. Alexander Hamilton, the first Secretary of the Treasury, was a strong advocate for using tariffs to promote industrial growth and economic independence.

When the U.S. imposes tariffs on imports, the immediate effect is an increase in the cost of those imported goods. Importers typically pass these increased costs onto consumers, leading to higher retail prices.

Machinery and equipment, including computers and hardware encompassed the largest amount of imports in volume valued at $475.9 billion in 2023. Electrical machinery and related equipment reached $477.1 billion in 2023. These two categories make up the bulk of the imports that U.S. consumers buy, which include televisions, computers, phones, computer equipment, appliances and electrical accessories and components. Automobiles and vehicle parts were the third largest category of imports in 2023 valued at $329.6 billion.

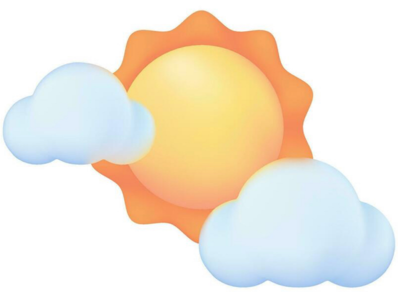
As savings have diminished following the subsidies and assistance programs during the pandemic, consumers have borrowed more adding to credit card and personal loan balances. Elevated rates have placed an additional strain on consumers leading to an increase in delinquencies.

Economists are concerned that newly imposed tariffs on many of these imported products would impose even greater strain on consumers and their spending behavior. Tariffs would be considered inflationary should importing companies pass along the tariffs to consumers in the form of higher prices. (Sources: Office of the Historian; U.S. Dept. of State, Tax Foundation, National Bureau of Economic Research)

How Extreme Weather Affects The U.S. Economy – Economic Dynamics

Recent extreme heat throughout the U.S. has increased concern as to how out of the ordinary weather affects the economy. Extreme weather events exacerbated by climate change are having significant and growing impacts on the U.S. economy.

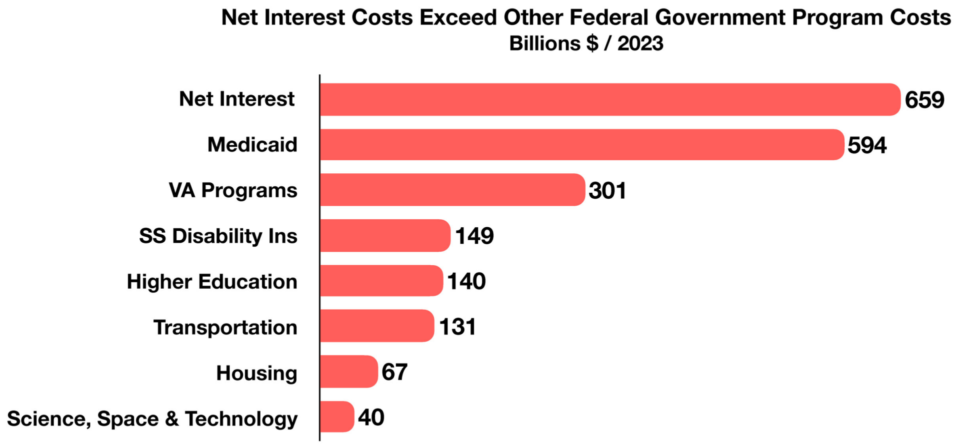
The U.S. has experienced, on average, more than one disaster causing over $1 billion in damages each month in recent years. This is a dramatic increase from previous decades when billion-dollar weather disasters were rare. Strain on the nation's power grid during periods of extreme heat as the demand for electricity rises, places tremendous pressure on the utility and power supplies.



The agricultural sector is particularly vulnerable to extreme weather. Flooding in the Midwest in 2019 led to significant crop losses and disruptions in planting, potentially affecting food prices and markets. Studies suggest that climate change impacts could cost the U.S. economy between 1% to 4% of GDP annually by the end of the century, considering effects on mortality, labor productivity, and the energy sector. Southern and coastal states are projected to experience more substantial economic losses due to higher temperatures and increased exposure to storms and sea level rise. (Sources: whitehouse.gov, weathersource.com)

Higher Interest Rates Are Also Straining The Federal Government – Fiscal Policy

Just as consumers borrow in order to spend, so does the U.S. government. The U.S. government currently owes $34 trillion as of this past month, the largest amount ever, and projected to grow to over $36.7 trillion in 2025. In order to fund ongoing expenses such as Medicaid, VA Programs, and Social Security Disability Insurance, the government issues bonds and hence borrows money continuously.



The cost of the interest alone on government debt exceeds the cost of many critical government programs. In the coming years, interest costs are likely to further increase, as current debt holdings originally borrowed at much lower interest rates will increasingly be rolled over at much higher rates. Meanwhile, the federal government continues to add roughly $2 trillion per year to the national debt. (Sources: The Office of Management & Budget, Treasury Dept.)

Job Growth in State & Local Government Highest Since Late 1970s – Employment Market Overview

State and local governments are experiencing the highest job growth rates since the 1970s, adding 379,000 jobs in the first half of 2023 alone. This accounts for nearly a quarter of total U.S. job gains during that period. As of April 2024, state and local government employment surpassed its pre-pandemic peak from February 2020 by 262,000 jobs.

The public sector has seen a much more rapid pace of hiring compared to the private sector. Public sector job growth jumped from 1% in 2022 to 2.7% in 2023 – the highest year-over-year growth rate since 1990. This surge in government hiring is partly driven by efforts to fill vacancies left by workers who exited during the pandemic, as well as bolstering public services that were understaffed.

The last time state and local government hiring saw comparable growth rates was in the late 1970s, when labor force participation was also at similarly low levels. Many states have taken steps to address hiring challenges through pay raises, hiring bonuses, and other strategies to compete with the private sector. In addition, increased remote work options and flexible schedules have made public sector jobs more attractive. Sectors including education, healthcare, public safety and transportation have driven much of the hiring at the state and local levels. The growth in state and local government jobs has been driven by efforts to fill pandemic-related vacancies, raise compensation, and meet increasing public service demands, mirroring the low labor force participation of the 1970s. (Sources: Labor Dept., BLS)