

## Weekly Update – June 24, 2024

### Market Returns Ending 6/21/2024

Category 1 Week MTD YTD

#### US

Large Cap	3.6%	8.8%	15.4%
Mid Cap	-0.5%	2.4%	5.2%
Small Cap	-2.2%	2.7%	0.4%

#### International

Developed	-2.0%	1.9%	5.4%
Emerging	3.9%	4.5%	7.6%

#### Bonds

Aggregate	1.6%	3.3%	-0.1%
High Yield	0.9%	2.0%	2.5%

### US Equity Style Returns

#### Weekly

	Value	Core	Growth
Large	-0.7	3.3	6.6
Mid	-1.4	-0.5	1.9
Small	-3.4	-2.2	-1.1

#### YTD

	Value	Core	Growth
Large	6.8	14.2	20.5
Mid	4.7	5.2	6.2
Small	-2.6	0.4	3.5

Source: Bloomberg

### Key Events: Monitoring global economic health

Weak European economic data prompted hopes for further Central Bank rate cuts; Canada was the first G7 nation to cut rates in June. The European Central Bank has cut rates once but also lifted their inflation forecast.

In the US tension remains between inflation that isn't decelerating rapidly amidst signs of economic slowing.

### Market review: It's AI's world, we're just living in it

Nvidia, Apple, and Microsoft are dominating like Frank, Sammy, and Dean<sup>i</sup>. The stocks were up 15%, 9%, and 8%<sup>ii</sup> last week, respectively, leaving other stocks in the dust.

Emerging markets kept up as Taiwan Semiconductor, who makes Nvidia chips, was up 16%, and India continued its strong performance.

Bonds, again, reacted to softening data, gaining enough to bring them almost back to positive for the year.

### Outlook: Fighting complacency

After yet another week of tech dominance, it may be tempting to jump on the bandwagon; after all, the S&P 500 is up 15% for the year while tech is up 28% and semiconductors are up 79%! The average stock in the S&P 500 is up only 5.6%.

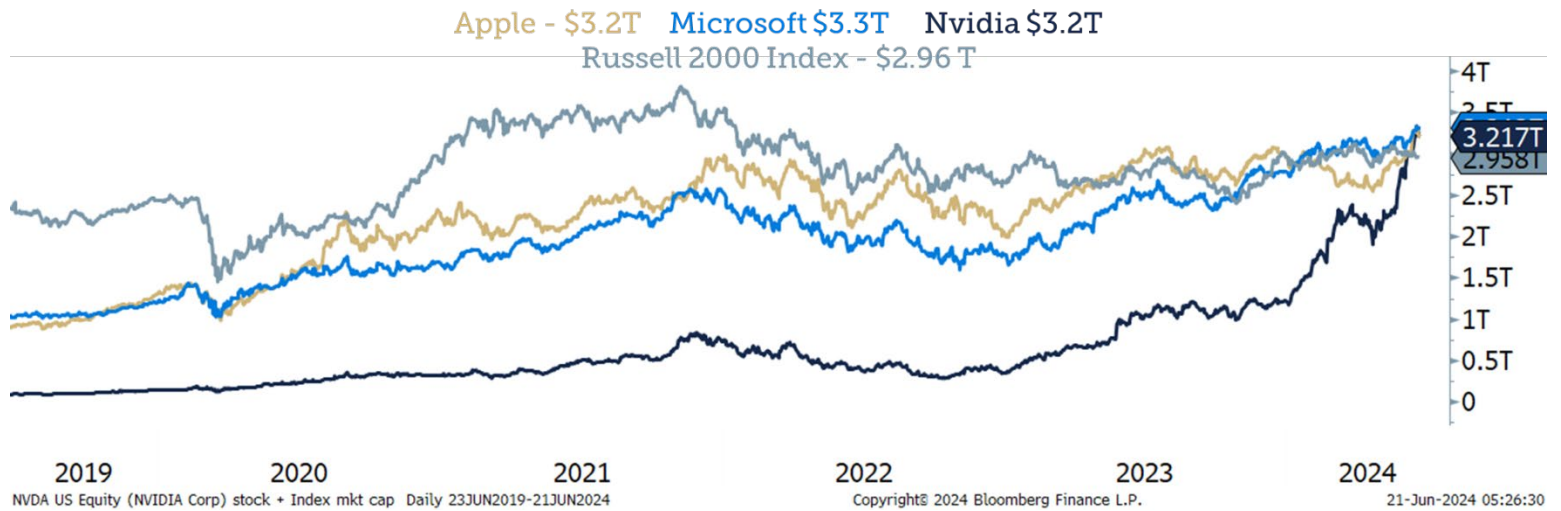
Tech stocks outperformed the S&P 500 by 14% last year, and by 24% so far this year. This is a far cry from the dotcom bubble: tech outperformed the market by 67% in 1998 and 68% in 1999. Valuations are not as extreme as they were in 1999.

But from the peak in March of 2000, technology stocks suffered an 80% loss and didn't recover their drawdown until January of 2017. You read that right: Technology stocks spent over 16 years below their dotcom bubble peak.<sup>iii</sup>



We're not necessarily telling investors to be concerned about tech's dominance – but now is the time to be vigilant. We encourage investors to manage risk through diversification. We believe there are plenty of opportunities in small cap and international stocks that are not nearly as expensive as US large cap stocks. As the below chart shows, Apple, Nvidia and Microsoft are all larger than the small cap stock market! Small caps might just be a decent place to find some attractive stocks.

**Three companies are now worth more than the entire small cap stock market <sup>iv</sup>**



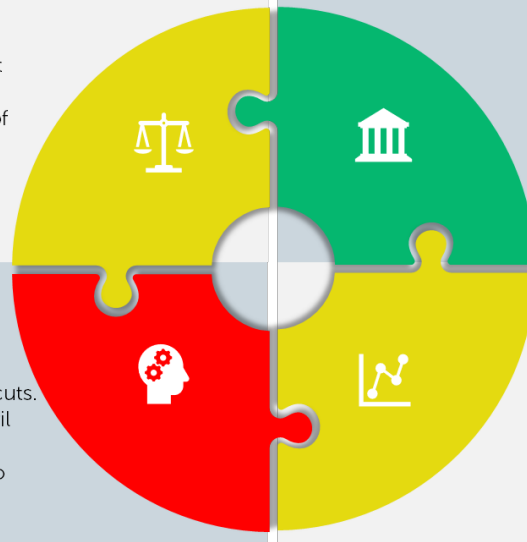
**OneAscent Navigator Outlook: June 2024**

## VALUATION

- Small stocks are at a larger valuation discount than average relative to large cap stocks.
- International stocks are an attractive source of income, with higher yields than US stocks.
- Corporate bond spreads have compressed to levels near their all-time lows.

## SENTIMENT

- Federal Reserve policy makers have been increasingly hawkish in their comments, indicating a low likelihood of near-term rate cuts.
- Small Business confidence rose slightly in April but remains in a downtrend.
- Individual investor bullishness has retreated to more neutral levels.



## ECONOMY

- Inflation data has continued to trend lower but remains above the Fed's target.
- Slowing consumer spending has led to reduced GDP projections.
- Easy financial conditions have offset restrictive Fed policy, allowing the economy to maintain a growth trajectory.

## TECHNICAL

- While the S&P 500 trades well above its moving average levels, fewer stocks within the index are above these averages.
- Market breadth, as measured by the advance/decline line, has been strong since the fall of 2023 but may be weakening..



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<sup>i</sup> Dean Martin is attributed as saying "It's your world, Frank, we're just living in it" in reference to Dean, Frank and Sammy Davis, Jr.

<sup>ii</sup> Source: Bloomberg

<sup>iii</sup> Source: Bloomberg

<sup>iv</sup> Source: Bloomberg

<sup>v</sup> Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield