



### Benchmark Returns as of July 31, 2024

	For the Month	Year-to-Date		For the Month	Year-to-Date
<b>S&amp;P 500</b>	1.22%	16.70%	<b>Bloomberg Aggregate Bond Index</b>	2.93%	8.43%
<b>Dow Jones Industrial Average</b>	4.51%	9.52%	<b>Developed International</b>	0.30%	7.81%
<b>Nasdaq</b>	-0.73%	17.71%	<b>Emerging Markets</b>	2.34%	1.61%



### It's on the Table

The most memorable words investors heard in the month of July came in the final hours of trading on the final day of the month. In his 2:30 P.M. EDT press conference after the close of the July 31st FOMC policy-setting meeting, Chairman Jerome Powell said – three times – that an interest rate cut “could be on the table... at the next meeting in September.” With this reinforcement of pundits’ predictions, the major stock indices closed higher to end a decidedly choppy month.

What else was on the table as the second half of 2024 got underway? There was volatility, spurred by a rotation out of large cap stocks to small/mid cap names. Within the large cap S&P 500, there was a marked re-ordering of the performance of the eleven industry sectors vs. the first half of the year. There was data showing stronger-than-expected growth of the overall U.S. economy in the second quarter of 2024, while the two widely watched inflation indices showed steady progress towards the Fed’s 2% goal. Second quarter corporate earnings reports came in above analysts’ expectations, and the benchmark 10-year Treasury gained, reducing its interest rate by 0.43% over the course of the month.

Volatility as measured by the CBOE Volatility Index (VIX) climbed mid-month as there was a notable rotation out of large cap names in favor of smaller-cap stocks. Witness the July performance of the S&P MidCap 400 (up 6%) and the S&P SmallCap 600 (+11), both a significant margin over the S&P 500’s gain of 1%. Adding to the uneven action for large caps stocks, there was a shift in industry sector leadership from the mega-cap Technology and Communication Services companies (both sectors were up over 26% in the first half of the year; both were down over 5% in July) to industries that are

perceived as benefitting from lower interest rates e.g., Real Estate, Financials and Utilities. These shifts are both normal and healthy for the markets as the larger economic environment changes.

Notable economic releases during July included the first estimate of overall domestic economic growth for the second quarter, and the two major inflation readings. Second quarter GDP was surprisingly strong, coming in at 2.8%, nearly a full percentage point above expectations. Bookending the GDP report, the mid-month CPI data showed the pace of inflation slowed in June to 3.3% year-over-year for the core measure and 3.0% for all items. On July 26th, the PCE inflation report (a more contemporaneous index that is preferred by the Fed) had year-over-year core prices up 2.6% with overall prices up 2.5%. The continued progress on inflation was cheered by investors.

According to the July 31st earnings dashboard by LSEG I/B/E/S, 283 of the companies in the S&P 500 have reported 2Q earnings. Blending actual earnings with analyst estimates for the remaining companies, year-over-year earnings are expected to grow 12.6%. More than three-quarters of the companies that have reported have exceeded analysts’ expectations. This compares to a long-term average of 66%. The ability to consistently grow earnings is a major contributor to stock returns.

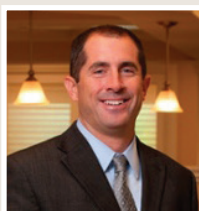
The interest rate on the benchmark 10-year Treasury was 4.48% on July 1st and fell to 4.05% by month-end. Several factors, including geopolitical events, contributed to the corresponding run-up in Treasury prices. But markets are forward-looking, and the expectation of lower interest rates has resulted, at least in part, in the markets doing the Fed’s job for them.

Circling back to the Fed, there is no FOMC policy-setting meeting until September 17th – 18th, but the widely-watched and often market-moving Jackson Hole Economic Policy Symposium takes place August 22nd – 24th. The gathering will feature a keynote speech from Federal Reserve Chair Jerome Powell.

It was a heavy-laden table in July, and it is doubtful that the summer doldrums will arrive in August to lighten what is on investors’ plates. We’ll watch for continuing signs of size and sector rotation. We’ll monitor economic data and earnings reports. We’ll listen carefully to the speeches coming from Jackson Hole for their impact on benchmark bond prices and market interest rates. And we’ll brace for quadrennial market volatility that has been typical historically, as a far-from-typical presidential election approaches.

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