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# Market Commentary 7/31/24

An Oxford Harriman & Company Market Commentary

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**The market continued a recent rotation trade last week, with the Russell 2000 gaining more than 2% while the "Magnificent 7" weighed down the Nasdaq and the S&P 500. The VIX Index remains well off its summer lows as the rotation leads to increased volatility. In the bond market, Treasury yields moved slightly higher, causing bonds to trade lower.**

During the second quarter, U.S. GDP grew 2.8%, an increase from the first quarter's reading of 1.4%. The second quarter growth reflected increases in consumer spending, private inventory investment, nonresidential fixed investment, and government spending. Compared to the first quarter, the acceleration in second quarter GDP primarily reflected increases in private inventory investment and consumer spending, partially offset by lower residential fixed investment. The underlying themes were:

- **Increased consumer spending on goods and services**
- **Residential weakness in both multi-family and single family**
- **Nonresidential investment increases in equipment and IP**
- **Increased government spending at both the federal and state/local levels**

The Federal Reserve holds its next FOMC meeting this week and investors place a very small probability on a rate cut at this meeting.  However, investors place a near 100% probability of a cut in September. Consensus shifted decisively toward a September cut following recent cool inflation reports and a rise in unemployment to 4.1%. Chairman Powell may lay the groundwork for a

September rate cut at this week's meeting, while emphasizing the importance of upcoming inflation and labor market reports. Investors expect two more rate cuts before year end, which implies another 0.50% worth of rate cuts spread across the November and December meetings. There's a broad expectation that the Fed will continue to cut interest rates in 2025, but there is significantly less consensus about the degree of such cuts. We continue to lean toward fewer rate cuts given the economy's current state and expect a mid-cycle cutting regime unless the economy deteriorates materially during the second half of this year.

Please contact us with any questions,

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Russell 2000® Index: The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

NASDAQ Composite Index: The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

The CBOE Volatility Index® (VIX®) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge". PM-01302026-6843756.1.1