CBIZ ON THE MARGIN

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June 2024 Recap

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PRELUDE

June is one of my favorite months of the year. In the U.S., we typically experience consistently warmer temperatures and greater amounts of daylight, both of which I prefer. The summer solstice also marks the beginning of a new season, one often filled with vacations, barbecues, fireworks, and baseball games, all of which I thoroughly enjoy. The global market backdrop was eventful this June as well, but returns were mixed across asset classes and geographies. The political landscape took center stage during June as several elections and election announcements globally had various implications for markets. Global central banks were also in focus this month as multiple central banks cut interest rates, while others kept rates on hold. The Magnificent Seven maintained positive price momentum and propelled the S&P 500 and NASDAQ to new all-time highs again during the month, but the Russell 2000 fell. Interest rates fell broadly during June, boosting fixed income markets, with the Bloomberg US Aggregate generating another positive monthly return.

GLOBAL EQUITY

In contrast to May, global equity returns were mixed in June. In the U.S., the S&P 500 returned +3.6% during the month as the Magnificent Seven maintained leadership of the index and accounted for roughly 70% of the S&P's positive June return. Apple, Microsoft, and NVIDIA all fought for and periodically held the top spot in the index during the month (as measured by market capitalization), but Microsoft ultimately finished atop the index. S&P 500 sector returns for June were mixed as well, as most growth-oriented sectors moved higher, while value-based sectors typically lagged. Information Technology was the best sector performer for the month again, returning 9.3%, nearly double that of the next best sector performer (Consumer Discretionary). Within small caps, the Russell 2000 fell -0.9% during the month amid ongoing uncertainty about the number of Fed rate cuts before year end, weighing on small cap companies.

TABLE 1: **Global Equity**	JUN	QTD	YTD	1 YR
Dow Jones Industrial Average	1.23	-1.27	4.79	16.02
S&P 500 Index	3.59	4.28	15.29	24.56
Russell 2000	-0.93	-3.28	1.73	10.06
Russell 1000 Growth	6.74	8.33	20.70	33.48
Russell 1000 Value	-0.94	-2.17	6.62	13.06
MSCI ACWI USD	2.23	2.87	11.30	19.38
MSCI EAFE USD	-1.61	-0.42	5.34	11.54
MSCI EM USD	3.94	5.00	7.49	12.55
MSCI ACWI ex US USD	-0.10	0.96	5.69	11.62

Source: Bloomberg, as of 6/30/2024. Past performance does not guarantee future returns.

International markets also posted varied returns in June. While the U.S. Dollar did not significantly impact returns during June, developed international and emerging markets moved in opposite directions. Developed international markets, as represented by the MSCI EAFE Index, returned -1.6% for the month. Despite the ECB cutting interest rates, European equities generally lagged, highlighted by French equities' sharp move lower toward the end of June. French equities struggled amid concerns about French President Emmanuel Macron's surprising call for snap legislative elections, potentially helping the far-right National Rally party gain more political momentum. U.K. equities remained resilient relative to its other western European counterparts as the Bank of England also cut rates during the month. While developed markets struggled in June, emerging markets generally moved higher, returning +3.9%. Similar to developed markets, politics took center stage in emerging markets as election outcomes in both India and South Africa moved both markets sharply higher. However, the landslide outcome of the Mexican election spooked markets amid concerns about the ruling party's ability to more easily pass legislation that may not be favorable to markets. Mexican equities fell over 10%, partly due to depreciation of the Mexican peso.

FIXED INCOME

For the month of June, the U.S. Treasury yield curve again shifted downward, aiding fixed income returns as the Bloomberg US Aggregate returned +1.0%. The second consecutive monthly fall in U.S. Treasuries was roughly uniform across the curve again as weaker-than-expected labor market and inflation data pushed yields lower. We started the month with labor market data showing some signs of weakness, followed by a downside surprise in the Consumer Price Index later in the month.

TABLE 2: **Fixed Income**	JUN	QTD	YTD	1 YR
Bloomberg US Aggregate	0.95	0.07	-0.71	2.63
Bloomberg 1-3 Yr Gov/Credit	0.56	0.95	1.38	4.87
Bloomberg Treasury 5-7 Yr	1.17	0.31	-0.56	2.59
Bloomberg Investment Grade Corp	0.67	-0.05	-0.46	4.42
Bloomberg High Yield Corp	0.94	1.09	2.58	10.44
JPMorgan EMBI Global Diversified	0.62	0.30	2.34	9.23

Source: Bloomberg, as of 6/30/2024. Past performance does not guarantee future returns.

Despite certain signs of cooling economic data, the market decreased its expectations for the number of Fed rates cuts in 2024 from one and a half at the beginning of June to just one by the end of the month. While the Fed left interest rates unchanged at its June meeting, as expected, the dot plot came out more hawkish than the March version. The Fed's core inflation expectation rose from 2.6% to 2.8% for 2024, which explains the more hawkish view, going from three cuts in 2024 in March to just one cut in the June projection. We remain especially interested to see how the Fed moves forward in the second half of the year as the U.S. Presidential election approaches.

POSTLUDE

With the first half of 2024 behind us, we thought it would be helpful to put some context around this six-month stretch for investors. While the S&P 500 returned +15.3% during the period, the market rally was relatively narrow, with just seven stocks (the Magnificent Seven) accounting for roughly 45% of the index's return. In fixed income, investment grade sectors typically lagged amid rising rates, while high yield remained a relative bright spot given a greater yield cushion. While the first half of the year was eventful, we think the second half will be even more so, highlighted by a presidential election here in the U.S., other elections globally, perhaps the first Fed rate cut of 2024, and market reactions to each. Regardless of how each storyline unfolds, we look forward to informing you and providing you with our perspectives along the way.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.