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| **RESOURCE LOG – May 2024** | | | | |
| **Article Title** | **Detail** | **Publication** | **Date** | **Author** |
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| What’s News | ♦ China signaled a new campaign to rekindle flagging growth, a fresh sign of rising angst at the top of China’s government over the prospects for the world’s second-largest economy. | The Wall Street Journal | 05/01/2024 |  |
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| What’s News | ♦ Defaults are reaching historic levels in the office market as a growing number of owners capitulate to high interest rates and weak demand. | The Wall Street Journal | 05/01/2024 |  |
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| What’s News | ♦ Major U.S. stock indexes ended on another low note, with the S&P 500, Nasdaq and Dow shedding 1.6%, 2% and 1.5%, respectively. | The Wall Street Journal | 05/01/2024 |  |
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| Fed Has Patience to Let High Rates Work | Fed officials will hold their benchmark federal-funds rate steady at its highest level in more than two decades, around 5.3%, at their two-day policy meeting that began Tuesday.  Firmer-than-anticipated inflation I the first three months of the year has likely postponed rate cuts for the foreseeable future.  The focus at this meeting will be how Powell characterizes the interest-rate outlook.  At the same time, Fed officials have indicated they are broadly comfortable with their current stance. This makes a hawkish pivot toward entertaining rate increases unlikely. | The Wall Street Journal | 05/01/2024 | Nick Timiraos |
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| Stocks Extend April Pullback | Stocks ended their worst month of the year on another low note.  The S&P 500 fell 1.6% on Tuesday. The Nasdaq Composite lost 2%, while the Dow Jones Industrial Average shed 570 points, or 1.5%.  All 11 S&P 500 sectors finished the day in the red. The broad index fell 4.2% in April, its worst performance since September, after posting its best first-quarter performance since 2019. The Nasdaq and Dow dropped 4.4% and 5%, respectively, for the month.  …inflation is still running hotter than the central bank would prefer. Consumer prices have increased more than Wall Street had expected for three months in a row. | The Wall Street Journal | 05/01/2024 | Charley Grant |
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| Fed cites Inflation Setback, Holds Rate Firm | The Federal Reserve acknowledged a recent setback in its inflation fight but said it was more likely to keep interest rates at their current level for longer than to raise them again.  Officials held their benchmark federal-funds rate steady Wednesday at a range between 5.25% and 5.5%, the highest in two decades and a level it reached last July…  Fed chair Jerome Powell indicated that the bar to cut interest rates had gone up, but that the bar to increase rates was even higher. | The Wall Street Journal | 05/02/2024 | Nick Timiraos |
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| What’s News | ♦ The OECD said the global economy could suffer a significant setback if an escalation of conflict in the Middle East were to push oil prices sharply higher. | The Wall Street Journal | 05/03/2024 |  |
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| What’s News | ♦ Job growth slowed as employers added a seasonally adjusted 175,000 jobs in April, and unemployment ticked up to 3.9%, marking a break from a string of data showing surprising strength in the labor market. | The Wall Street Journal | 05/04-05/2024 |  |
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| What’s News | ♦ Renewed hope for rate cuts and a big day for tech shares boosted the Dow, S&P 500 and Nasdaq 1.2%, 1.3% and 2%, respectively, on Friday. All three major indexes rose for the week. | The Wall Street Journal | 05/04-05/2024 |  |
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| Economic Slowdown Isn’t Entirely Bad | Yet overall activity levels remain healthy, and some cooling is welcome news to investors because it opens the door back up to possible rate cuts by the Federal Reserve.  The most obvious indicator was Friday’s employment report, which showed the economy added 175,000 jobs in April, down significantly from 315,000 in March.  On Friday, a monthly survey by the Institute for Supply Management showed services-sector activity dipping into contractionary territory in April for the first time in 15 months.  One very welcome sign from the Fed’s point of view is the continued slowdown in wage growth, with average hourly earnings rising just 3.9% from a year earlier in April, compared with 4.1% in March and 4.3% in February. | The Wall Street Journal | 05/06/2024 | Aaron Back |
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| **A QUICK LOOK** – BEYOND THE SUBURBS  JLL says AI demand turns data centers into ‘hottest asset class’ | Jones Lang LaSalle Inc.’s chief executive officer said demand is soaring for data centers as corporate America embraces artificial intelligence, creating a rare bright spot in a commercial-property market faced with rising office vacancies. “it’s the hottest asset class at the moment,” CEO Christian Ulbrich said…  An AI spin on real estate adds to the technology’s emerging footprint in the U.S. economy beyond the hardware and software industries. Utility company Dominion Energy Inc. said last week that data-center developers in northern Virginia were asking for the equivalent of several nuclear reactors’ worth of power. Exelon Inc. predicted AI-driven data centers in the Chicago area were poised to gobble up 900% more electricity. | Daily Herald | 05/07/2024 |  |
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| **A QUICK LOOK** – BEYOND THE SUBURBS  Fed’s Barkin says full impact on high interest rates yet to come | Federal Reserve Bank of Richmond President Thomas Barkin said he expects high interest rates to slow the economy further and cool inflation to the central bank’s 2% target. Barkin, who votes on monetary policy this year, said Monday the strength of the labor market offers the Fed time to gain confidence that inflation is moving sustainably lower before lowering borrowing costs. But he added there’s a risk continued housing and services inflation will keep price gains elevated – as seen this year. | Daily Herald | 05/07/2024 |  |
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| Property’s Waiting Game Gets Harder | “Restrictive monetary policy needs more time to do its job.” It was the last thing real-estate borrowers wanted to hear from Federal Reserve Chairman Jerome Powell when the central bank held interest rates steady last week.  Last year’s motto in real-estate circles was to “survive until ’25.” Property owners thought the Fed would cut interest rates throughout 2024. If borrowers could just sit tight, it would soon be easier to refinance troubled loans.  Over the past three weeks, borrowers and lenders have both realized this is probably a fantasy. Inflation has been stuck above 3% for three consecutive months.  One immediate consequence is that the cost of hedging has shot up again. Lenders require borrowers of floating-rate debt to hedge their interest-rate exposure, often through interest-rate caps. These instruments pay out when a benchmark such as SOFR rises above a set strike rate, which reassures lenders that borrowers will be able to meet their repayments even if rates rise.  The cost of these caps has become a major headache for property owners, according to Carol Ng, a managing director at risk-management firm Derivative Logic.  According to the Mortgage Banks Association, $929 billion of outstanding property loans will mature in 2024 – a 41% increase on MBA’s earlier estimate. This is because many loans that were due to be paid off in 2023 were extended, adding to this year’s pile of maturities.  Ultralow interest rates turbocharged property valuations in the subsequent years, bailing out bad loans.  Debt costs are so high that it is difficult for buyers to meet lenders’ requirement that the rental income generated by a property cover the debt-service costs by at least 1.25 times.  This new reality leaves owners of troubled properties with unpleasant choices to make.  Less-deep-pocketed owners may decide their cash would be better spent elsewhere and hand the keys to the lenders. | The Wall Street Journal | 05/07/2024 | Carol Ryan |
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| Stocks Extend Rally Ahead of Busy Earnings Slate | Stocks rose on Monday ahead of another busy week of earnings, with first-quarter results so far giving investors reason for optimism.  The S&P 500 rose 1%, while the Dow Jones Industrial Average added 0.5% and the Nasdaq Composite closed 1.2% higher.  The gains extended Friday’s rally, when a not-too-hot jobs report boosted hopes for interest-rate cuts this year.  Derivatives traders are pricing in a roughly 90% chance the Federal Reserve will cut benchmark rates by the end of the year, according to CME Group. Falling rates are often a tailwind for stocks, in part because they make equities look more attractive than bonds.  Citigroup Chief Executive Jane Fraser echoed that sentiment…  “There’s a potential for a win-win for equities here in the near term, because if growth is stronger, equity valuations benefit, and if rates come down, equity valuations benefit,” Fraser said.  The benchmark 10-year Treasury yield is off the year’s highs, settling Monday at 4.488%.  Oil prices rose, with Brent crude, the international benchmark, climbing to $83.33 a barrel. | The Wall Street Journal | 05/07/2024 | Jack Pitcher |
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| Blue Chip Extend Longest Win Streak of Year to 6 Days | The Dow Jones Industrial Average rose Wednesday, extending its longest winning streak of the year.  All three indexes remain higher to start May after dropping in April.  Stocks had edged higher in recent days, helped by a batch of solid corporate earnings reports and hopes that the Federal Reserve may cut interest rates. | The Wall Street Journal | 05/09/2024 | Vicky Ge Huang |
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| Booming Profits Keep Economy Humming  *Despite slower hiring, CEOs remain upbeat and major downturn appears improbable* | The bulk of U.S. companies have now reported first-quarter results, and they show profit growth is picking up. Earnings per share for companies in the S&P 500 now look to be up 5.2% from a year earlier, according to FactSet…  They now expect second-quarter earnings per share to gain 9.8%, compared with 9% at the end of March.  Corporate profits are important because they show the U.S. economic engine continues to purr.  Survey-based measures of corporate sentiment have picked up.  Productivity gains have allowed businesses to maintain profit margins despite wage increases. | The Wall Street Journal | 05/09/2024 | Justin Lahart |
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| Dow Notches Longest Win Streak of Year | All three stock indexes have risen by at least 3.5% so far in May, reversing April’s declines and nearing record highs, as Wall Street has grown more confident that the Federal Reserve will begin cutting rates this year.  The renewed optimism stems from healthy corporate profits and cooler economic data…  Investors’ more-optimistic inflation outlook has taken pressure off the bond market in recent days, weighing down yields. | The Wall Street Journal | 05/10/2024 | David Uberti |
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| What’s News | ♦ The Biden administration is preparing to raise tariffs on clean-energy goods from China, with the levy on Chinese electric vehicles se to roughly quadruple, according to people familiar with the matter. | The Wall Street Journal | 05/11-12/2024 |  |
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| What’s News | ♦ The U.K. economy returned to growth in the first quarter as GDP rose 0.6% from the previous quarter. | The Wall Street Journal | 05/11-12/2024 |  |
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| Stocks Log Weekly Gains in Hot Start to May | Stocks on Friday notched weekly gains, putting the market’s April doldrums further in the rearview.  The Dow Jones Industrial Average rose 0.3%, or 125 points, enough to extend its longest winning streak of 2024 to an eighth consecutive-trading session. The S&P 500 inched 0.2% higher, while the tech-heavy Nasdaq composite edged a hair lower.  All three indexes have advanced by at least 3.7% so far this month.  Consumers’ outlook on the economy darkened in May, according to preliminary results from a University of Michigan survey.  Benchmark 10-year Treasury yields veered upward after the reading, settling at 4.503%. Yields rise as prices fall. | The Wall Street Journal | 05/11-12/2024 | David Uberti |
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| The Dow Is a Terrible Inex. But It Is Telling Us something Important | In one sense, it definitely is a turning point. The Dow is a measure of companies that used to be considered great, while the S&P is dominated by companies that are currently considered great. In times of change, the two move apart, as the S&P rebalances toward the newest companies, and the Dow doesn’t.  That is exactly what’s happened. Chipmaker Nvidia is the most obvious example, riding the artificial-intelligence boom to become the third-largest company in the S&P, with its shares leaping 210% in 12 months. The Dow missed out, with chipmaking represented by former icon Intel. Its shares are slightly down over 12 months.  Currently, the biggest weights in the 30-company Dow are given to UnitedHealth, which is the 15th-largest listed company, and Goldman Sachs, the 63rd biggest. Together they are valued at about half a trillion dollars, but they move the Dow more than fellow constituents Microsoft, Apple and Amazon.com combined, even though the three are valued at $7.6 trillion combined. The Dow is simply a bad measure, which ought to be retired. | The Wall Street Journal | 05/11-12/2024 | James Mackintosh |
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| Investors Dial Up Pressure On Firms’ Earnings | With the first-quarter earnings season nearly over, companies in the S&P 500 are on pace to deliver a 5.4% jump in profits from a year ago, the biggest increase in nearly two years, according to FactSet.  But those that fall short of investor forecasts are being punished more heavily than usual. Shares of companies that missed estimates have slid an average of 2.8%, compared with the five-year average of a 2.3% decline.  Meanwhile, companies that outperform aren’t being given any special prizes. | The Wall Street Journal | 05/13/2024 | Hardika Singh |
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| This Market Rally Isn’t What It Seems | So far, May has been a great month for the S&P 599, which is up 3.7%. compare this to the index’s dismal April, when it shed 4.2% in value.  Last week’s rally appeared to be boosted by a couple of weak U.S. job reports, which reignited hopes of a rate cut in the summer.  The experience of the past couple of years shows that high borrowing costs don’t always hit economic growth.  In April, the sectors with the highest earnings multiples relative to history faced the worst declines – a telltale sign that valuation was at the heart of the selloff. | The Wall Street Journal | 05/13/2024 | Jon Sindreu |
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| What’s News | ♦ The Fed’s Powell affirmed the central ban’s wait-and-see stance on interest rates, which remain at their highest level in more than 20 years. | The Wall Street Journal | 05/15/2024 |  |
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| Nasdaq Hits Record, S&P 500 Closes In  *A surprisingly strong report on consumer prices could damp rally* | Stock indexes traded at or near records after traders took in one inflation report and look ahead to another that will offer a much-anticipated look at consumer prices.  The producer-price index rose more than economists expected in April but was revised lower for March.  Traders saw little reason to pull back on their recent bullishness and sent the Nasdaq Composite up 0.8% to close at a record… | The Wall Street Journal | 05/15/2024 | Jack Pitcher |
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| Inflation Eases, Stocks Hit Highs  *Core prices post smallest gain since 2021, fueling hope for Fed cut this year* | U.S. inflation eased slightly in April, offering relief to investors and the Federal Reserve after a run of economic data at the start of the year revealed simmering price pressures.  The consumer-price index, a gauge for good and service costs across the U.S. economy, rose 3.4% in April from a year earlier, the Labor Department said Wednesday. Core prices that exclude volatile food and energy items climbed 3.6% annually, the lowest increase since April 2021.  Investors cheered the report, which was in line with expectations. It followed three months in which inflation was firmer than anticipated. | The Wall Street Journal | 05/16/2024 | David Uberti and Nick Timiraos |
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| Dow Tops 40000 Milestone And Then Falls Back  *Recession that many economists anticipated stays out of sight* | The Dow Jones Industrial Average crossed 40000 for the first time, a milestone that appeared implausible a little more than two years ago when the Federal Reserve began raising interest rates to cool an overheated economy.  Gloom and doom forecasts abounded.  Markets shuddered. The Dow industrials and other equity benchmarks ended 2022 with their biggest declines since 2008, the year Hehman Brothers collapsed. | The Wall Street Journal | 05/17/2024 | Karen Langley |
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| Broad Base powers Dow Rally | The Dow closed above 40000 for the firs time Friday, a day after eclipsing the mark on an intraday basis.  More than two-thirds of the Dow components have notched gains since it crossed that mark on Nov. 24, 2020.  Renewed hopes that the Federal Reserve will cut interest rates later this year have sparked a rally in stock prices in May. All 11 sectors of the S&P 500 are up for the month. | The Wall Street Journal | 05/18-19/2024 | Hannah Miao and Charley Grant |
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| Technology-Stock Investors Drive Up Nasdaq to Record | The tech-laden Nasdaq Composite rose 0.7% to 16794.87, eclipsing the record it se Wednesday after a Labor Department report showed inflation easing in April. | The Wall Street Journal | 05/21/2024 | Ryan Dezember |
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| What’s News | ♦ A rise in utilities’ share prices this spring reflects a growing belief that the U.S. economy can power through higher interest rates and turn the type around artificial intelligence into reality. | The Wall Street Journal | 05/22/2024 |  |
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| China tightens Minerals Grip As West Fails to Make Headway | For the past few years, the Wes has been trying to break China’s grip on minerals that are critical for defense and green technologies. Despite their efforts, Chinese companies are becoming more dominant.  They are expanding operations, supercharging supply and causing prices to drop. Their challengers can’t compete. | The Wall Street Journal | 05/22/2024 | Jon Emont |
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| S&P 500, Nasdaq Reach Records, Fueling May Rally | Stocks rose again, keeping a May rally intact.  Stocks rallied in recent weeks on renewed confidence among investors that inflation is easing and the Federal Reserve will cut interest rates this year. Strong corporate earnings boosted spirits on Wall Street: S&P 500 companies grew profits by 5.7% from a year ago as of Friday, according to FactSet.  The benchmark 10-year Treasury yield settled at 4.414% on Tuesday, Dow from 4.436% on Monday. The yield rose as high as 4.706% in April after a string of hotter-than-expected inflation reports. | The Wall Street Journal | 05/22/2024 | Charley Grant |
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| Stocks Retreat as Fed shows Uncertainty  *Policymakers aren’t confident inflation is subsiding, minutes show* | The S&P 500 declined 0.3% and the Nasdaq composite edged 0.2% lower after both indexes closed at record highs in the prior session. The Dow Jones Industrial Average shed about 200 points, or 0.5%. | The Wall Street Journal | 05/23/2024 | Hannah Miao |
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| Risky Bonds Join Broad Rally As Premiums to Treasurys Fall | If the U.S. economy is headed for trouble, no one told the junk-bond market.  The premium that investors demand to hold debt from sub-investment-grade companies instead of relatively safe Treasury has shrunk to near pandemic-era lows, a sign of dwindling worries about an economic slowdown…  Attracted by yields around 8%, investors have added a net $3.7 billion into junk-bond funds so far this year…  Investors and analysts closely watch junk bonds because companies with weaker credit ratings tend to be hit by economic problems first. | The Wall Street Journal | 05/23/2024 | Vicky Ge Huang |
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| Fed Minutes Point Toward Longer Wait For Rate Cut | Federal Reserve officials concluded at their most recent meeting that they would need to hold interest rates at their current level for longer than they previously anticipated after a third straight disappointing inflation reading last month. | The Wall Street Journal | 05/23/2024 | Nick Timiraos and Paul Kiernan |
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| Stocks Drop despite Nvidia’s Big Rally | The Jones Industrial Average slid about 600 points, or 1.5%, its worst one-day percentage drop since March 2023. It was the second straight day of declines for all three indexes.  Ten out of 11 sectors in the S&P 500 fell on Thursday.  The S&P 500 is up 4.6% in May and 10% for the year.  On Thursday, however, worries about inflation were rekindled when a business report showed U.S. economic activity picked up pace this month.  The yield on the 10-year U.S. Treasury note-a benchmark for mortgages and other boring costs-rose to 4.474% from 4.433% on Wednesday. | The Wall Street Journal | 05/24/2024 | Hannah Miao |
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| S&P 500, Nasdaq Notch Weekly Gains | Technology stocks helped push the S&P 500 higher Friday, capping off a rocky week in markets.  The broad U.S. stock index and the tech-heavy Nasdaq Composite rose for a fifth straight week. The Dow Jonoes Industrial Average snapped a weekly winning streak that had lasted since mid-April.  Major indexes were on pace to finish May with their best monthly performances of 2024. The Dow industrials crossed 40000 for the first time last week…  And the outlook for corporate profits appears bright. Analysts expect that earnings from companies in the S&P 500 will rise 11% this year and 14% in 2025, according to FactSet.  “If the Fed stays higher for longer, that doesn’t necessarily mean that stocks won’t continue to perform,” said Nancy Tengler, chief executive officer and chief investment officer of Laffer Tengler Investments. “I do believe we’re in a bull market and I think it’s pretty early.”  Yields on government bonds rose for the week. The yield on the benchmark 10-year U.S. Treasury note climbed to 4.471% Friday… | The Wall Street Journal | 05/25-26/2024 | Karen Langley |
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| Inverted Yield Curve Flags as a Slump Omen | An anomaly known as an inverted yield curve, in which yields on short-term Treasurys exceed those of longer-term government debt, has long been taken as a nearly surefire signal that an economic pull-back looms. In each of the previous eight U.S. downturns, that has happened before the economy sputtered. There haven’t been any glaring false alarms.  Now, though, that streak is threatened. The yield curve has been inverted for a record stretch-around 400 trading sessions or more by some measures-with no signs of a major slowdown.  Yields on Treasurys largely reflect investors’ expectations for what short-term interest rates set by the Federal Reserve will average over the life of a bond.  The near-mythical status of the inverted yield curve as a harbinger of downturns took time to develop. | The Wall Street Journal | 05/29/2024 | Sam Goldfarb and Peter Santilli |
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| What’s News | ♦ Annual home-price growth in the U.S. maintained a fast clip in March, likely helped by gradually easing mortgage rates. | The Wall Street Journal | 05/29/2024 |  |
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| Rising Bond Yields Weigh On Stocks  *All 11 sectors of S&P 500 close lower; Treasury auction sees weak demand* | Stocks indexes dropped Wednesday after bond yields climbed to their highest level in a month.  After rallying through most of May, stocks indexes have faltered more recently as investors continue recalibrating how the Federal Reserve might move on interest rates this year.  Investors see a 54% chance that the Fed will keep rates unchanged through its next three meetings…  The benchmark 10-year Treasury yield rose to 4.623% from 4.542% Tuesday. That marked its highest level since April 30. | The Wall Street Journal | 05/30/2024 | Caitlin Ostroff |

“It’s amazing how much ‘exercise’ and ‘extra fries’ sound so much alike.” *Anonymous*

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