WEEKLY ECONOMIC UPDATE JULY 8, 2024

Stocks steadily advanced over the holiday week thanks to strength in mega-cap tech issues and encouraging jobs data.

The Standard & Poor's 500 Index rose 1.95 percent, while the Nasdaq Composite Index added 3.50 percent. The Dow Jones Industrial Average edged up a modest 0.66 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, rose 2.30 percent for the week through Thursday's close.[1]

Nasdaq, S&P Extend Runs

ADP's employment report on Wednesday showed private-sector employers added 150,000 jobs in June—slightly slower than May's pace—adding to investor hopes that a slowing economy may prompt the Fed to adjust short-term rates as early as September. The Nasdaq and the S&P hit their 23rd and 33rd record closes, respectively, for the year.[2] Friday morning's jobs report from the Labor Department showed 206,000 jobs added last month, which also suggested a strong-but-cooling economy. News of slower job growth, slowing wage growth, and a slight uptick in unemployment helped drive down Treasury yields, and stocks finished the short week with a strong rally. The Nasdaq and S&P both closed at all-time highs on Friday.[3]

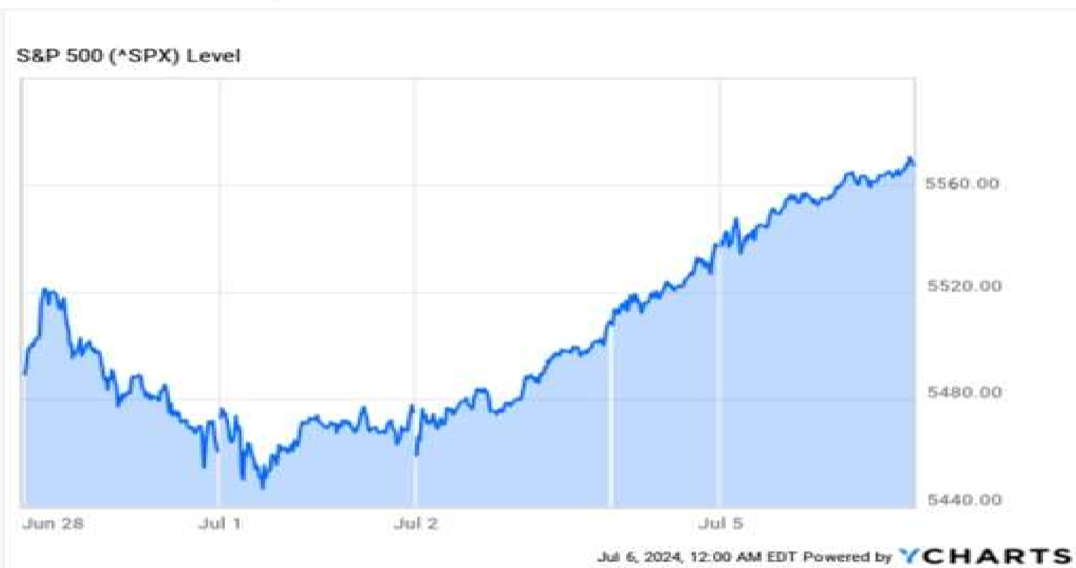
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Dow Jones Industrial Average	1.99%	5.30%	16.55%	61.95%
MSCI EAFE	0.10%	8.20%	14.42%	41.34%
Nasdaq Composite	8.15%	21.62%	32.66%	133.1%
S&P 500	4.92%	16.92%	26.16%	100.6%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 07/05/24	4.28%	4.29% 4.39% 3.95%	-0.23% ▼ -2.51% ▼ 8.35% ▲

Still Catching Up?

Driving much of the job growth in last week's reports was a post-pandemic catchup effect: sectors such as healthcare and leisure/hospitality showed they are still recovering.[4]

The private-sector jobs data and the Labor Department report painted a similar picture of an economy creating jobs but at a slower rate than in the past.[5,6]

This Week: Key Economic Data

Tuesday: Fed Chair Jerome Powell speaks.
Wednesday: Petroleum Status Report. Fed Officials Austan Goolsbee and Michelle Bowman speak.
Thursday: Consumer Price Index (CPI). Jobless Claims. Fed Officials Raphael Bostic and Alberto Musalem speak. Fed Balance Sheet.
Friday: Wholesale Inflation (Producer Price Index). Consumer Sentiment

"You can't taper a Ponzi scheme."

– Max Keiser

Of Note

Alternative investments, with unique strategies and structures, can offer different risk return patterns than traditional stocks, bonds and cash.

While alternative investments have been around for a long time – especially in institutional circles – they have only become more widely adopted in recent decades through the evolution of more private wealth-friendly investor structures.

Some alternative investments have the potential to enhance returns or income. Others provide investors with access to opportunities for strategies that aren't available within traditional markets. Certain alternative investments can perform as an inflation hedge or help investors manage risk. Alternative investment strategies offer fundamentally a different approach and investor experience than that of publicly traded investments. While they can give you expanded exposure to the investable universe of stocks, bonds and real assets, this will come at reduced levels of liquidity.

Examples of alternative investments include:

Private equity: Typically illiquid, private equity involves investments in private companies that aren’t publicly traded on the stock exchange. As companies remain private for longer or not go public at all, investors in private equity can benefit from private equity's active role in the operational improvement of those companies and their strategic commitment to long-term growth. The longer-term investment horizon needed by private equity investors allows them the opportunity to diversify their assets and participate in the growth and innovation of private companies.

Real estate and Infrastructure: Alternative investments may also encompass residential, commercial or industrial real estate, or infrastructure projects like roads, bridges and airports. Real assets can also include a tax-advantaged yield component. Alongside enhanced diversification from the ownership of tangible assets, real estate investors often have the potential to reap the benefits of long-term capital appreciation, as the value of real property or infrastructure assets increases over time. Often tied to contracted or regulated revenue, real assets can also provide a hedge against inflation.

Private Credit: When discussing private credit, it is essential to mention business development companies (BDCs). In

1980, the Small Business Investment Act was passed to increase capital flow to privately owned U.S. companies, resulting in the formation of BDCs. These investment vehicles allow investors to pool capital in a tax-advantaged manner for investing in the debt and equity of privately held American businesses. BDCs are exempt from entity-level taxation as long as they meet certain regulatory and IRS guidelines. They distribute 90% of their income and capital gains to investors and can be publicly traded or non-traded. BDCs exist in publicly traded and non-traded forms, the latter experiencing liquidity via an IPO or merger at some point in their lifecycle.

Co-investment Opportunities: Frequently offered by private equity firms funds. Co-investment strategies involve making direct investments alongside funds, enabling investors to avoid management fees and carried interest. These opportunities arise when a fund requires additional capital for an existing portfolio company or when a new acquisition opportunity arises. Co-investments can be offered by PE, Credit and Venture funds or funds specializing exclusively in co-investments.

Direct secondaries: Also known as Pre-IPO investments, involve acquiring equity ownership positions in unlisted private companies through privately negotiated transactions. These investments anticipate an IPO within a few years, potentially offering significant returns. Funds in this category target outsized returns.

Energy: Apart from traditional investment options such as mutual funds, ETFs, and individual equities, there are several alternatives that provide direct exposure to the energy markets. Limited partnerships, working interests, master limited partnerships (MLPs), and unit investment trusts (UITs) offer pass-through treatment of both income and deductions derived from oil and gas investments. Investors can participate in the industry up-, mid-, or down-stream. Upstream operations involve the exploration stages, midstream activities focus on processing and transporting oil and gas, and downstream operations can include refining and distributing by-products to the retail level. Funds that diversify across various alternative categories are preferred, combining riskier aspects with more conservative ones. For example, a fund could develop a diversified portfolio of mezzanine capital investments, combine this with investments in independent producers, and also invest in midstream assets. These managers can also participate in oil and gas exploitation and development projects.

Investors interested in tax benefits associated with oil and gas drilling partnerships can benefit from deductions that include tangible and intangible drilling costs (75%-85%) and a depletion allowance (15%) on a portion of income received from partnership wells. Limited partner interests are often sought by investors looking to offset a portion of their passive income. Alternatively, investing as an Investor General Partner provides different tax benefits, such as deducting losses described earlier (intangible/tangible/depletion) against active income reported on a tax return, a so-called “above the line deduction”.

Litigation Finance: These funds offer asset-backed capital investments in mature litigation cases with established liability of the defendant and precedent regarding settlement. These funds invest in various legal proceedings and can achieve target returns in the high teens. They also make loans to firms so can also be bucketed in the private credit space.

Co-GP Investing: There are unique funds that acquire a minority interest in private equity or real estate funds, allowing limited partners to participate in the general partner's 2% & 20%* fee structure. These funds provide another avenue for investors to explore alternative investment opportunities.

* 2&20: Private funds often charge a 2% management fee and take 20% of the profits, often called the “carried interest” or “carry”.

These represent an abbreviated list of alternatives available today. In spite of the potential benefits and diversification opportunities, each alternative investment also comes with its own risk, complexity and transparency issues. Not all alternative investments are suitable for every investor. It’s of utmost importance to keep your financial goals in focus when making investment-related decisions. Speak with your financial advisor to explore whether alternative investments align with your financial objectives and risk profile and make sure to study the Risks of these investments as described in the fund's PPM (Private Placement Memorandum).[7]

Footnotes And Sources

1. The Wall Street Journal, July 5, 2024
2. The Wall Street Journal, July 3, 2024
3. The Wall Street Journal, July 5, 2024
4. The Wall Street Journal, July 5, 2024
5. The Wall Street Journal, July 5, 2024
6. Marketwatch.com, July 5, 2024
7. advisorperspectives.com/commentaries/2024/04/26/alternative-investments-thinking-beyond-traditional-asset-classes?topic=alternative-investments (in part)