JULY 2024

Capital Markets Commentary

MEEDER

» Economy Slowing

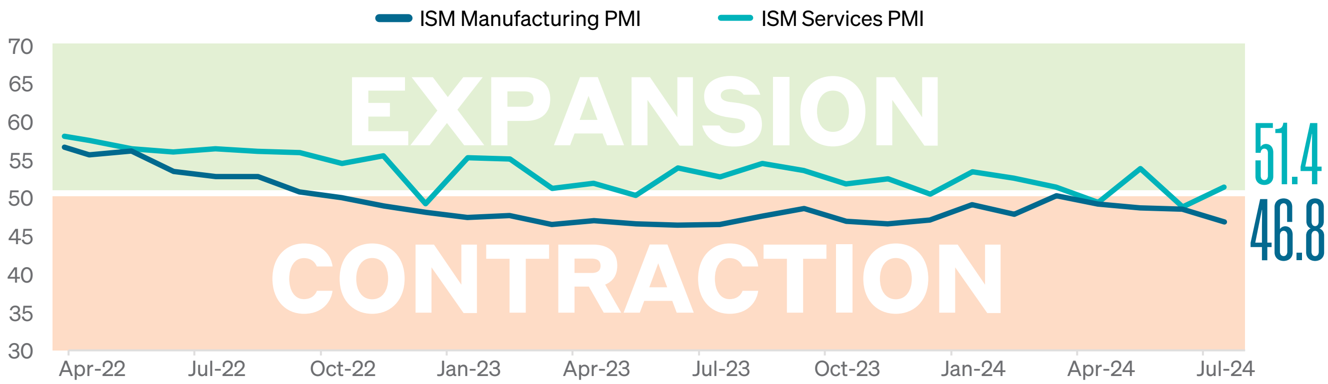
» Labor Market Update

» The Federal Reserve

Signs of the U.S. Economy Slowing Down

U.S. SHOWING SIGNS OF SLOWDOWN

As of July 2024

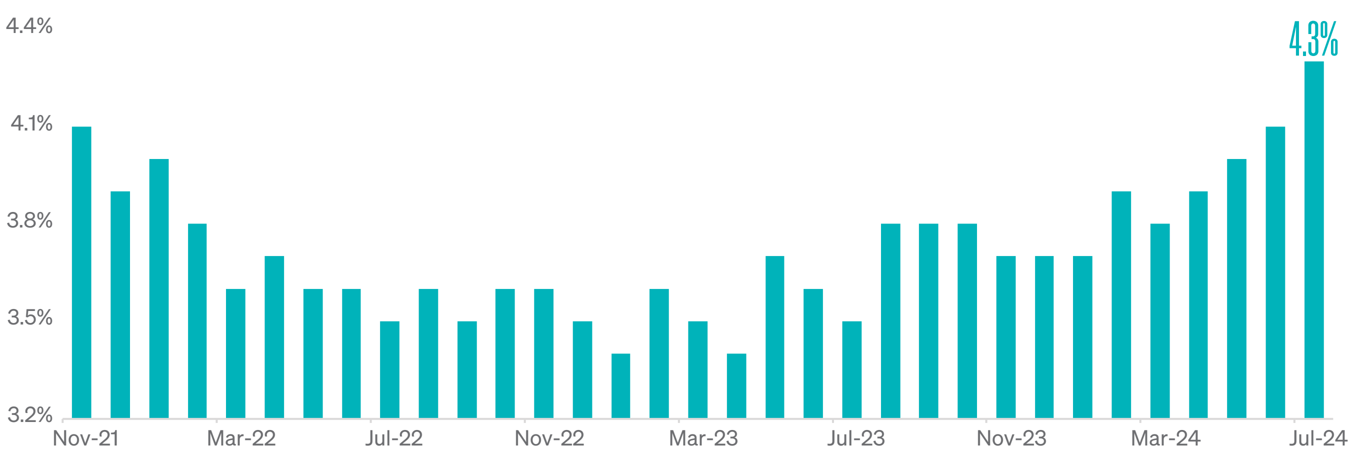


SOURCE: BLOOMBERG

Corporate earnings were relatively strong in the second quarter, with 9 of 11 sectors expanding in the S&P 500. Although this growth was welcomed by investors, many companies provided a more reserved outlook. Some parts of the economy are already showing signs of this fragility. The July ISM Manufacturing index fell to 46.8, missing expectations of 48.8 and declining from June's 48.5. A reading less than 50 indicates a contraction in the sector. Conversely, the ISM Services index provided a sliver of optimism, with July's result of 51.4. This increase in ISM services exceeded expectations of 51, yet only indicates a slight level of expansion.

U.S. UNEMPLOYMENT RATE

November 2021–July 2024



SOURCE: BLS

Inflation as measured by the June Personal Consumption Expenditures (PCE) index, was 2.5%, indicating that price pressures have cooled somewhat. Yet, this was not enough to spur significant economic activity. Once a pillar of strength, the labor market is showing increased signs of weakening. Nonfarm payrolls for July were just 114,000, well below the consensus estimate of 175,000 and down from 179,000 in June. Moreover, U.S. unemployment climbed from 4.1% to 4.3%, marking the fourth consecutive monthly increase and the highest level since October 2021.

July's unemployment report was especially concerning to economists because it triggered the Sahm Rule, a widely followed economic indicator. The Sahm Rule is an indicator that has accurately signaled the beginning of each recession since 1970. This signal is triggered when the 3-month U.S. unemployment increases by 0.5% from its 12-month low. Only time will tell if the Sahm rule indicator will maintain its perfect record or if the Fed becomes more aggressive in its rate cuts to fend off the looming recession.

Will the Fed Push the Economy into Recession Again?

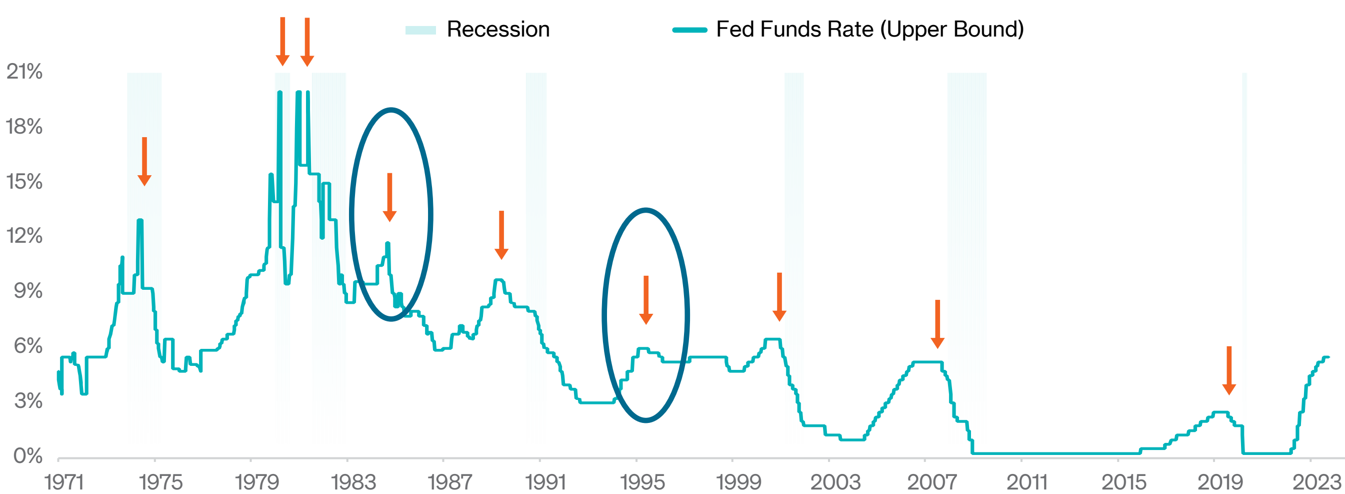
In its July meeting, the Federal Reserve kept short-term interest rates unchanged at a range of 5.25%–5.50%, the highest level in 23 years. The Fed's decision to postpone rate cuts leaves the economy navigating a precarious path. With inflation still above the Fed's target and economic growth showing signs of stalling, the central bank faces a challenging balancing act.

As July ended, market participants were increasingly asking the question: "Will the Fed push the economy into a recession again?"

The Federal Reserve has historically struggled to engineer an economic "soft landing"—a scenario where the committee mutes inflation with tightening monetary policy without triggering a recession. In fact, since 1970, the Fed has only managed to unwind its monetary policy two times without this occurring. The current tightening cycle has interest rates at their highest levels in over two decades, and fears are mounting that the Fed's actions could once again tip the economy into a downturn.

TOO LITTLE...TOO LATE

Fed Funds Rate & Recessions



SOURCE: NBER & BLOOMBERG

Looking Ahead

As we move into the third quarter of 2024, investors will be even more focused on the Fed's actions and broader economic data. While the Fed's pause in July was widely expected, recent signals of economic weakening are increasing investors' expectations for the magnitude of a September rate cut and the remaining Fed meetings of 2024. In this environment, it is critical to maintain a flexible approach to navigate potential volatility as the economic outlook remains uncertain.

The views expressed herein are exclusively those of Meeder Investment Management, Inc., are not offered as investment advice, and should not be construed as a recommendation regarding the suitability of any investment product or strategy for an individual's particular needs. Investment in securities entails risk, including loss of principal. Asset allocation and diversification do not assure a profit or protect against loss. There can be no assurance that any investment strategy will achieve its objectives, generate positive returns, or avoid losses.

Commentary offered for informational and educational purposes only. Opinions and forecasts regarding markets, securities, products, portfolios, or holdings are given as of the date provided and are subject to change at any time. No offer to sell, solicitation, or recommendation of any security or investment product is intended. Certain information and data has been supplied by unaffiliated third parties as indicated. Although Meeder believes the information is reliable, it cannot warrant the accuracy, timeliness or suitability of the information or materials offered by third parties.

Investment advisory services provided by Meeder Asset Management, Inc.

INDEX DESCRIPTIONS

S&P 500 Index: The Index tracks the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is one of the most followed equity indices and includes approximately 80% of the total market capitalization of U.S. public companies.

S&P 400 MidCap Index: This index serves as a gauge for the U.S. mid-cap equities sector and is the most widely followed mid-cap index. To be included in the index, a stock must have a total market capitalization between $5.8 billion and $15.8 billion.

Russell 2000 Index: The Index is constructed to provide a comprehensive, unbiased barometer of the small-cap segment of the US equity market. A subset of the Russell 3000 Index, it includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

MSCI EAFE Index: The Index is an equity index that captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 783 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EM Index: The Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. With 1,440 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Aggregate Bond Index: The Index is a broad-based flagship benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS, and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index. The US Aggregate Index was created in 1986, with history backfilled to January 1, 1976.

MEEDER

6125 Memorial Drive, Dublin, Ohio 43017 | 1.866.633.3371 | meederinvestment.com

©2024 Meeder Investment Management, Inc.

0116-MAM-8/12/24-44608