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Highland ReCAP

A Review of Capital Markets

July 2024

Summary

July was a remarkable and volatile month, as stocks were mixed and bonds generated positive returns. Large cap stocks saw their first 2% single-day drawdown of the year and many of the big tech names which drove 2024's AI-fueled rally sold off during July, while the Russell 1000 still managed to finish the month in the black. Monthly inflation fell by 0.1% for the first time since 2020, but the Fed held rates steady in their July meeting.

Equities

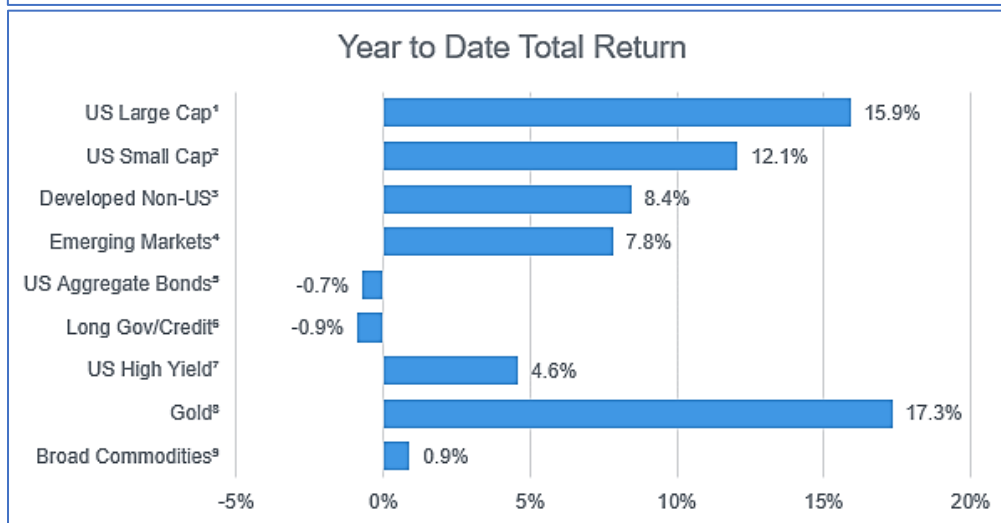
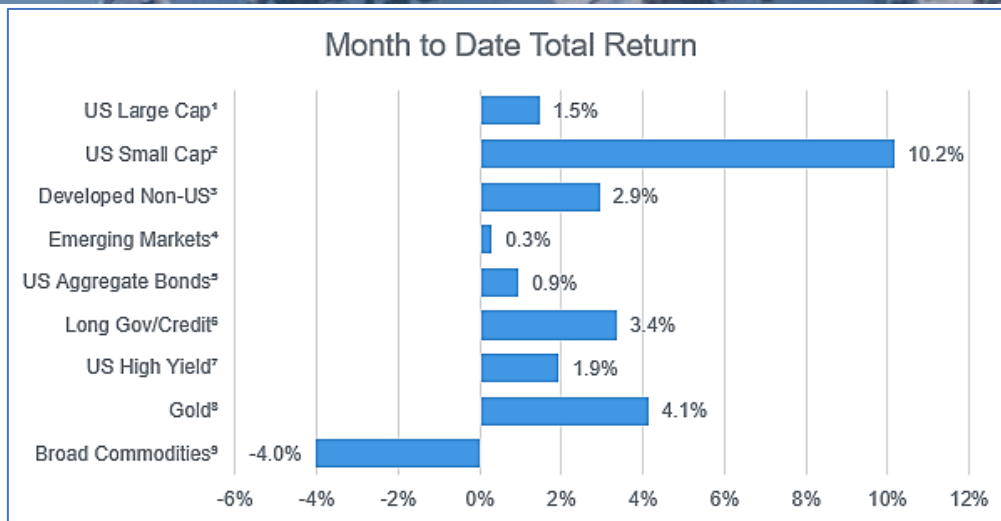
Big tech names like Nvidia, Meta, and Microsoft declined 5-6% in July, yet the broad U.S. large cap index increased by 1.5%. Trading in U.S. stocks was volatile throughout the month, exacerbated by the attempted assassination of former president Trump and the subsequent withdrawal from the 2024 race by President Biden. Small caps capitalized on the broadening rally, with a massive 10.1% return in July, while emerging markets lagged their developed non-U.S. counterparts.

Fixed Income

Bond investors benefited from falling interest rates as the 10-year treasury yield declined 24 basis points from June to finish at 4.11%. The U.S. aggregate bond index produced a total return of just under 1% for the month, while credit outperformed, providing an additional 1% return to high yield investors. The month concluded with the Federal Reserve holding rates unchanged, with one official meeting remaining before the November election.

Market Trends

As of July 31, 2024



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	1.5%	9.7%	15.9%	21.5%	8.5%	14.6%	12.9%
US Small Cap ²	10.2%	14.6%	12.1%	14.3%	1.9%	8.9%	8.7%
Developed Non-US ³	2.9%	5.2%	8.4%	11.2%	3.6%	7.4%	4.8%
Emerging Markets ⁴	0.3%	4.8%	7.8%	6.3%	-2.7%	3.4%	2.6%
US Aggregate Bonds ⁵	0.9%	0.1%	-0.7%	2.6%	-3.0%	-0.2%	1.3%
Long Gov/Credit ⁶	3.4%	7.4%	-0.9%	2.8%	-8.3%	-1.7%	1.9%
US High Yield ⁷	1.9%	4.0%	4.6%	11.1%	2.2%	4.2%	4.6%
Gold ⁸	4.1%	5.7%	17.3%	22.4%	9.7%	10.1%	5.7%
Broad Commodities ⁹	-4.0%	-3.9%	0.9%	-5.2%	3.6%	6.5%	-1.2%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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FTSE Russell

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