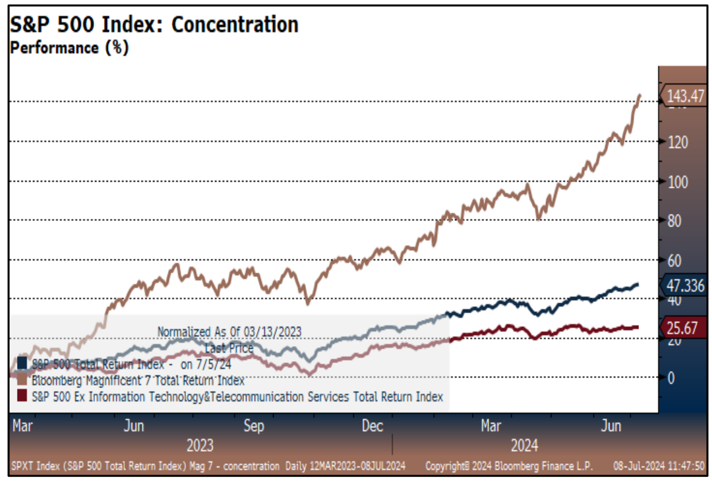
Market Commentary

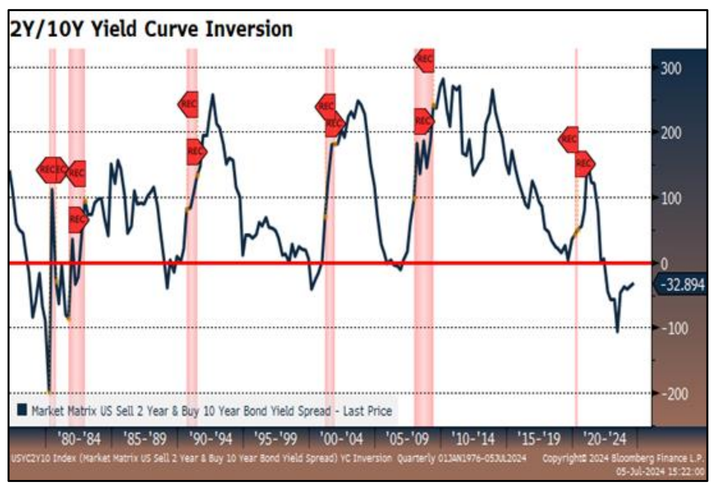
July 2024

Executive Summary:

- The S&P 500 continues to reach all-time highs with the largest companies contributing to most of the performance.
- With a potential Fed rate cut on the horizon, investors remain bullish on equities, anticipating the broader economy to continue to grow, just not as rapidly.
- The labor market has cooled in each of the first two quarters of the year as there has been a sharp decline in job openings. Increasing unemployment benefit filings may cause the Fed to initiate a rate cut at the September FOMC meeting.

With the S&P 500 reaching new all-time highs in five out of the six months to start the year, there is growing optimism that the second half of 2024 will be more of the same. This upward trend is supported by increases in corporate earnings (unlike the dot.com era) which are projected to grow in 2024 and 2025 by 7% and 13%, respectively. Analyzing the performance drivers, the largest companies continue to comprise the bulk of the market's return. The Magnificent 7 stocks have been a driving force for the economy as they now make up around 30% of S&P 500's performance. Only Tesla has struggled YTD, trading down about 20% through 6/30, but it has rebounded nicely in the past few weeks to once again be positive for the year, as of this writing.





The markets are counting on the Fed to cut interest rates in the coming months; however, such cuts heavily depend on inflation falling to its 2% target rate. The Fed might be more inclined to act sooner, though, if several conditions persist: continued declining employment, concerns about a potential economic slowdown, and inflation's downward trend. These factors could persuade Chair Powell that there is less of a need for restrictive monetary policy to accomplish their dual mandate of maximum employment and stable prices.

In the first quarter of 2024, real GDP rose by 1.4 percentage points over the prior quarter. A Bloomberg survey of the nation's leading economists' forecasts that Q2 GDP will increase by 2% while the PCE Inflation gauge will remain steady at 2.6%. However, the unemployment rate rising a tenth of a percentage point to 4.1% (its highest level in over two years) – coupled with sluggish wage growth – is causing the economy to experience slower employment growth compared to forecasts. Also, approximately 75 percent of the job gains came from only two sectors – healthcare and government – showing a significant reliance on these industries. The cooling job market data released in June with downward revisions for employment growth and the rising unemployment rate caused treasury yields to drop across the curve. Historically, the economy has encountered headwinds after an inverted yield curve, but short-term rates have now been higher than long-term rates for over two years – the longest inversion ever.

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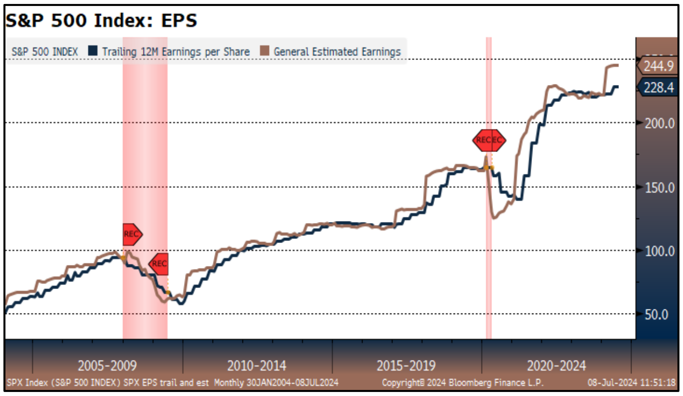
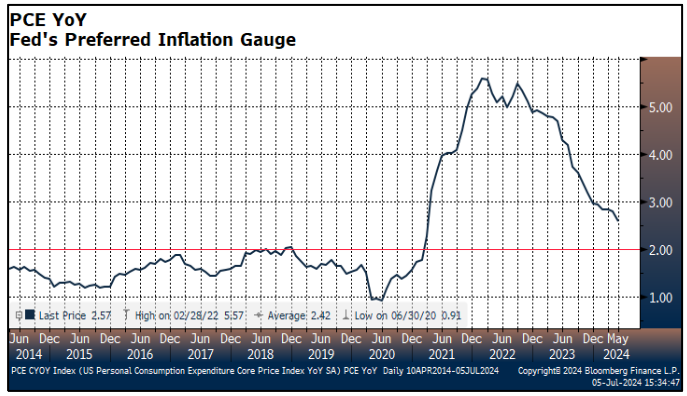
In summary, the data may be in the ‘Goldilocks’ zone of just “bad enough” to allow the Fed to cut rates while the economy is still growing enough to avoid a recession. This scenario has allowed stocks to continue their upward trajectory to all-time highs, and we believe more gains could be in store for the remainder of 2024. With the U.S. Presidential election in November, combined with the ongoing conflicts in Ukraine and the middle east, we anticipate upcoming heightened volatility in the coming months.





SECTORS	2023	YTD	EQUITY INDICES	2023	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	55.80%	31.69%	S&P 500 INDEX	26.26%	17.57%	WTI CRUDE FUTURE Aug24	83.16	15.27%
S&P 500 CONS DISCRET IDX	42.30%	9.63%	DOW JONES INDUS. AVG	16.18%	5.53%	BRENT CRUDE FUTR Sep24	86.54	13.54%
S&P 500 CONS STAPLES IDX	0.52%	10.12%	NASDAQ COMPOSITE	44.70%	22.73%	NATURAL GAS FUTR Aug24	2.32	-11.57%
S&P 500 ENERGY INDEX	-1.42%	9.53%	S&P 400 MIDCAP INDEX	16.39%	4.93%	LME COPPER 3MO ($)	9,944.00	16.18%
S&P 500 FINANCIALS INDEX	12.10%	11.26%	RUSSELL 1000 GROWTH INDX	42.67%	25.18%	Gold Spot $/Oz	2,392.16	15.09%
S&P 500 HEALTH CARE IDX	2.06%	6.80%	RUSSELL 1000 VALUE INDEX	11.41%	6.21%	Silver Spot $/Oz	31.22	30.32%
S&P 500 INDUSTRIALS IDX	18.08%	7.17%	RUSSELL MIDCAP RT INDEX	17.19%	4.36%	Euro Spot	1.08	-1.80%
S&P 500 INFO TECH INDEX	57.84%	33.19%	RUSSELL 2000 INDEX	16.88%	0.70%	British Pound Spot	1.28	0.82%
S&P 500 MATERIALS INDEX	12.55%	3.61%	MSCI ACWI ex US	15.62%	7.83%	Japanese Yen Spot	160.75	-12.20%
S&P 500 REAL ESTATE IDX	12.35%	-2.69%	MSCI EAFE	18.95%	8.08%	DOLLAR INDEX SPOT	104.88	3.43%
S&P 500 UTILITIES INDEX	-7.08%	10.08%	MSCI EM	10.20%	9.80%			
Source: Bloomberg							As of:	7/8/2024

Bloomberg Barclays Bond Indices	Total Return 2022	2023	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	-13.01%	5.53%	0.00%	6.22	8.47	4.88%	Effective Fed Funds	5.33%
Intermediate	-8.23%	5.24%	1.04%	3.91	4.34	4.68%	2-yr Treasury	4.62%
Global Agg ex USD	-18.70%	5.72%	-4.61%	7.09	8.63	2.93%	10-yr Treasury	4.27%
Inv Grade Corporate	-15.76%	8.52%	0.47%	7.21	10.84	5.34%	10-yr German Bund	2.53%
U.S. Corporate High Yield	-11.19%	13.45%	2.87%	3.64	4.87	7.86%	Prime Rate	8.50%
Tax Exempt								
Muni 1-10 Yr Blend (1-12)	-4.84%	4.61%	-0.72%	3.91	6.23	3.42%		
Source: Bloomberg							As of:	7/8/2024

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