Market Update

ROAN CAPITAL PARTNERS
- JOHNSON CITY, TN -

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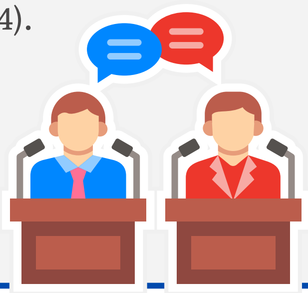
This week in the markets...

In our last update expectations of how the debate would present each candidate was still a question, as of this morning it is clear that the Biden campaign not only lost the debate but is now under considerable internal pressure to abandon the re-election campaign. The fallout from the debate continues to be the most important issue over a week later and since the S&P 500 has done nothing but go up, I thought a quick review of political / Geo-political issues as well as a market pre-view of the week was in order. Let's begin with the markets.

The S&P 500 is coming off its fourth positive week in the last five amid ongoing optimism that easing inflation and pockets of weakness in the economy could lead to a Federal Reserve interest rate cut. (Evans, 2024) I personally don't believe that the Fed can or will act before the November meeting to avoid accusations of election interference unless it is clear that either inflation is again rising swiftly or the economy is slowing swiftly. This week we'll see new inflation reports for June: The June CPI, which will be released Thursday, PPI data will be released Friday. Either report could bolster what I believe are misguided hopes if headline number shows a slight improvement (Evans, 2024). Last week, labor data reflected a slightly cooling jobs market. Although the U.S. economy added more jobs in June than anticipated, there was also an unexpected rise in the unemployment rate, to 4.1% from 4%. Traders, according to the CME FedWatch Tool continue to expecting two interest rate cuts in 2024, with the first in September (Evans, 2024).

https://www.cnbc.com/2024/07/08/trumps-better-election-odds-after-debate-are-already-moving-markets.html



	06/19/2023	1/1/2024	06/19/2024	12 MO ROR	YTD ROR
DOW	33,735.7259	37,566.22	39,292	16.47%	4.25%
S&P 500	4,398.9589	4,745.20	5,577	26.78%	16.92%
NASDAQ	13,660.2179	14,873.70	18,429	34.91%	22.77%

U.S. Politics

The 2024 election has kept us enthralled to be prepared for the results, which makes poll data and expectations for the results important. The 2024 election cycle presents a unique set of considerations for the stock market and investment landscape. The policies and regulatory approaches of each candidate have historically influenced various sectors differently:

- Trump's administration favored deregulation and tax cuts that generally benefit certain industries.
- Biden's focus on renewable energy, healthcare reform, and increased regulation could shift market dynamics in other directions.

We must closely monitor the evolving political landscape, as the outcome of the election could have significant implications for market volatility, sector performance, and the broader economic outlook, especially considering the potential changes in trade policies, fiscal spending, and international relations. Financial markets are slowly starting to absorb the possibility that what was once a toss-up presidential election campaign has taken a notable turn. In both polling data and the predictions market, the Republican challenger has become a solid favorite, up mid-single digits in several recent polls, with the specter lingering that Biden won't even be his party's nominee come November.
"As Trump's numbers rose earlier [last] week, people started to speculate that a Trump win would mean a little bit more mid- to long-term inflation, potentially slower economy, which is why the yield curve steepened a little bit, and which is why longer-term bonds got a little pressure earlier in the week. We're going to watch that, because there's no definitive sort of direction yet, but we feel that the market is starting to try to figure that stuff out," said Mark Malek, chief investment officer at Siebert AdvisorNXT (Cox, 2024).

https://www.cnbc.com/2024/07/07/stock-futures-open-lower-as-investors-await-inflation-data-this-week-live-updates-.html?__source=iosappshare%7Ccom.apple.UIKit.activity.Mail

U.S. Treasury Bond Yields

US1MO	5.31%
US3MO	5.37
US6MO	5.29
US1Y	5.0
US3Y	4.38
US5Y	4.23
US10Y	4.27
US30Y	4.47

Geo-Politics:

The situation in Ukraine has taken a pivotal turn with the recent signing of significant security and financial agreements between the European Union and Ukraine. These agreements aim at bolstering Ukraine's defense capabilities, focusing on arms deliveries, military training, and demining initiatives. Additionally, the escalation of military activities, including deadly attacks on Ukrainian cities and strikes against civilian infrastructure, signals a potential increase in military spending and a heightened demand for defense equipment. Yesterday, Russia fired hypersonic missiles into Kyiv hitting numerous targets. "Kyiv Mayor Vitali Klitschko said the attack was one of the largest of the war, causing damage in seven city districts. The Health Minister said five units of the children's hospital were damaged and children were evacuated to other facilities. Eleven were confirmed dead in the Dnipropetrovsk region and 68 were wounded, regional officials said. Three people were killed in the eastern town of Pokrovsk where missiles hit an industrial facility, the governor said." (Harmash, 2024)

https://www.reuters.com/world/europe/ukrainian-air-defence-engaged-repelling-russian-missile-attack-kyiv-officials-2024-07-08/

What does this mean for me?

For our portfolio, the changes the uncertainty of the current political landscape in the US is concerning. The likelihood of Joe Biden being the Democratic nominees is waning, but his replacement and the process of that decision is uncertain. The RNC national convention is in Milwaukee, WI next week and the DNC convention is in Chicago next month. Markets will watch these processes and combined with Q2 earnings will reflect confidence or confusion in August. Geopolitical tension holds particular relevance, especially considering defense and utility holdings.