Market Commentary – Second Quarter of 2024

Following a large pullback of 5% in April, equity markets recovered the balance of the quarter and continued to perform strongly with the S&P 500 setting a new all-time high. This quarter the top performing sectors were Technology, Communication Services, and Utilities. The worst performing sectors of the quarter were Basic Materials, Industrials, and Energy.

Time Period	Dow Jones Industrial Average	S&P 500 Index	Nasdaq Composite	Barclays U.S. Aggregate Bond
Second Quarter	-1.3%	4.3%	8.5%	0.1%
Last 12 Months	16.0%	24.6%	29.6%	2.6%

Equity & Bond Markets

Aside from Tesla, the entire Magnificent Seven enjoyed their highest quarterly close ever, representing two-thirds of the gains this year for the S&P 500. Investors are concerned with concentration risk since most of the market's gains came from the Mega cap tech stocks. Moving forward, increased earnings growth could contribute to a broadening out of this market rally. The artificial intelligence frenzy shows no signs of slowing down, leading to Nvidia becoming the most valuable company in the world and crowning the technology sector as the best performing. Nvidia's historic run cannot be understated, it alone accounted for 1.6% of the entire market's return in the second quarter. Alphabet, the world's leading communication tech company, announced its first ever dividend. As evident by the return of the Dow Jones Industrial Average Index, value and dividend stocks lagged the broader market for the second quarter.

The bond markets posted a narrowly positive return for the quarter. This is due to a slight decrease in borrowing costs that lowered yields by 0.3% from their April peak and raised par values. With short-term interest rate cuts anticipated by the Federal Reserve (FED) later in 2024, we expect bonds to perform better the balance of the year. We continue to hold high investment grade corporate bonds and U.S. Treasuries with their attractive yields for the medium term, focusing the portfolio primarily on bonds with maturities of one to five years.

The Economy and Current Trends

For the seventh consecutive quarter, the yield curve has remained inverted, though concerns over a recession appear to have subsided, and a soft landing is forecasted to be likely going into the new year. At the beginning of the quarter the FED was projecting three rate cuts this year, however, it seems they now have their sights set on just one rate cut later in the year. The most recent inflation report came in at 3.27% for May, which is slightly lower than the previous two months. The annual inflation is slowly falling with the annual rate still above the FED's 2% target. As the economy slows prices are expected to decline further, which should continue to lower inflation. Inflation has remained sticky due to underlying elements slowly falling as demand subsides and prices decline.

Outlook for the Remainder of 2024

The economy is on track for modest growth of 2.5% this year. The most recent unemployment rate for June was slightly higher at 4.1% with 206,000 jobs added. We anticipate increased volatility in the markets throughout the balance of the year given higher than goal inflation rate, uncertainty surrounding the presidential election cycle, and continuing geopolitical tensions. As always, we emphasize a diversified portfolio of quality companies balanced with the risk tolerance of each individual's tolerance for risk. We continue the discipline of periodic rebalancing by adding at low prices and trimming (selling) at high prices. We thank you for your ongoing confidence and trust. We look forward to connecting with you soon via a live meeting, voice, or video call.