Investment Commentary

June 30, 2024

Financial Markets

Stocks rose by 4.3% in the second quarter, as measured by the S&P 500 Index. But not all stocks participated in the quarter's ascent. Many segments of the domestic stock market, including middle and smaller capitalization indices, not only failed to keep up with the headline index but declined during the period. Even among large capitalization stocks, the average stock fell by 2.6%, as measured by the equal-weighted version of the S&P. International developed markets were also in the red, while emerging markets tallied a gain of 5.3% (a reversion from longer-term underperformance to developed markets).

Total Returns through June 30, 2024		
US Stocks	2nd Quarter	Year-to-Date
Standard & Poor's 500	4.3%	15.3%
Russell 2000®	-3.3%	1.7%
International Stocks		[redacted]
MSCI World Ex-US	-0.5%	5.1%
MSCI Emerging Markets		
US Fixed Income	[redacted]	
[redacted]		
90-Day Treasury Bill	1.3%	2.7%

The strong performance of the S&P 500 was again driven by a small number of mega-capitalization technology-oriented stocks. The Information Technology sector accounted for 95% of the IndTc 0.zVoa2 (a)5.3 (3 4.9 (h(8 (.)-4 .9 ld)-4.2 (Tc 0. imagination of society, the markets, and of course, the expectations for the first interest rate cuts by the Federal Reserve as they interpreted the most recent batch of economic data.

Investment Perspectives

Despite last year's widespread forecasts of a slowing US economy compelling the Federal Reserve to lower benchmark interest rates, neither has yet to pass. Rather, the economy continues to expand, albeit at a moderate pace, and the Federal Funds rate remains at the same 5.33% it has been since last July. The US economy's resilience has been broad-based, with everything from personal consumption expenditures to industrial production to labor market strength persisting despite higher financing costs.

Inflation indeed remains above the Fed's 2% target, but, unlike recent economic growth, its drivers are not so widespread. Shelter and auto insurance, which together account for just under 40% of the Consumer Price Index (CPI) basket, contributed almost 80% of the latest year-over-year inflation print. Importantly, however, these two inflationary forces appear idiosyncratic in nature, rather than an indication of elevated systemic pricing pressure. Shelter-related inflation readings, which alone count for over a third of the headline CPI, are notoriously lagging rather than reflective of current moves in housing prices, so their elevated levels are indicative of the rental statistics catching up with the reality of the real estate market. Meanwhile, auto insurance rates, which account for less than 3% of consumers' spending basket, have risen so abruptly—by 20% over the past year—that they contriMTj0.0latret7 Tc 0 -2.2c0titret7 Tc 0 -2.() 0 li movp27 0% ocr tJ0 Tc 0 56.2 (e)-1 (pa)-5M.1 (se)9-18.09y .20 -30.003 T. (h)3

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Past performance is not indicative of future results.
Sources: Factset, Bloomberg, Standard & Poor's, US Treasury, US Bureau of Labor Statistics, Small Business Administration, US Bureau of Economic Analysis
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