To Our Valued Clients,

It's hard to believe the first half of 2024 has already come and gone but here we are with the fourth of July in our rearview and what appears to be some sizzling dog days of summer ahead. The first half of the year can be characterized as a mixed bag from a financial market perspective, and one of moderation on the economic front. Interest rate policy, inflation, AI exuberance, a narrow stock market, and a global election cycle have remained some of the most notable themes, and certainly aren't going anywhere soon.

The first half of the year saw the S&P 500 rise by about 15%, surpassing most Wall Street forecasts with few exceptions. Notably, however, the average return of the ten largest companies in the index was over 42% versus a meager 5.64% for everyone else, a significant divergence resulting in a historically concentrated index. The ten largest companies now comprise 35% of the S&P 500 while accounting for 23% of its earnings[1], meaning the market is betting big on future earnings growth for this small group. Two of the biggest losers to start the year have been small company stocks and investment-grade bonds they continue to be weighed down by elevated interest rates. The Russell 2000 index which measures the performance of 2000 small-capitalization U.S. companies barely eclipsed a 1% return and the Bloomberg U.S. Aggregate Bond index finished the first half down 0.71%. The economy has remained healthy in the face of higher rates but is showing signs of slowing, a welcome sight for the Fed as they continue to work to stamp out sticky inflation. Recent employment data has shown moderation with the economy adding an average of 177K jobs per month over the past three months, down from 267K the three months prior[2]. This along with other pockets of softness is starting to impact the broadest measures of growth, the Fed's GDPNow tool is currently forecasting annualized real GDP growth of 1.5% in Q2[3], down from 2.1% this same time last year.

There is a slew of notable events on deck for the remainder of the year, some presenting significant economic and market implications, others not as much as you may think. To hear more about our outlook for the months ahead, please register for our next market update webinar on July 24th. Thanks for reading, and as always, if you have any questions or if we can help in any way, please don't hesitate to give our office a call.

With My Best Regards,

Brandon Hethcoat

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[1] Factset

[2] U.S. Bureau of Labor Statistics

[3] Federal Reserve Bank of Atlanta

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The stock indexes mentioned are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.