

July 18, 2024

Dear Client,

We are halfway through 2024. It has been an eventful and rewarding time for investors. However, it has not been all clear skies. It never is. We know that responsible investing can be gratifying. It can also be counterintuitive and unforgiving. As your partners, we always strive to keep you informed regarding the markets. We also share our thoughts on successfully getting you and your family “all the way home.”

Halfway there...

The good news is the S&P 500 index is up over 15% in the first half. However, the market leadership was very concentrated. About 60% of the gains in the first half were dominated by a handful of mega-cap technology stocks. While the index was up 15.3%, the average stock in the index was up only about 5%. According to Dow Jones Market Data, that is the largest spread in at least 34 years.

Other indices also failed to keep up with the S&P 500. Smaller U.S. stocks and international stocks trailed. These indices were up 1.7% and 5.3%, respectively. The old market adage, a rising tide lifts all boats, didn’t prove true. Even given the narrow leadership, most portfolios likely experienced reasonable advances for the first half.

Bonds were more of a mixed bag, at least so far. To combat inflation, the Fed raised interest rates 11 times in this tightening cycle. In 2024, bond investors hoped things would improve. Many experts had forecast the Fed would cut rates quickly and predictably, boosting bond values. Investment markets, however, rarely move predictably and pay no attention to the consensus opinion. Strong economic reports showed that the economy and inflation were not slowing as much as hoped. As a result, bond prices dipped.

Year-to-date, the Barclays Aggregate, a measure of the total bond market, edged down 0.7%. Municipal bonds were nearly unchanged at -0.4%. Some may ask, if bonds are much more attractive than in previous years, why are bonds not doing better this year?

Good question! Since inception, 90% of the return of the Barclays Aggregate Bond Index came from the “coupon” or interest rate. The remainder comes from price movements along the way. While there are no guarantees, higher rates portend higher returns going forward. All that said, bonds are an important part of many allocations. They can provide ballast and income to portfolios when equities turn volatile. Patience is a necessary part of sound investing.

% Return as of 6/30/2024			
<u>Equity Indexes</u>	<u>2nd Q</u>	<u>YTD</u>	<u>3 Yr</u>
S&P 500	4.3	15.3	10.0
Russell 2000	-3.3	1.7	-2.6
MSCI EAFE	-0.4	5.3	2.9
Emerging Markets	5.0	7.5	-5.1
Wilshire REIT	-0.2	-0.3	0.3
<u>Bond Indexes</u>			
TIPS	0.8	0.7	-1.3
Aggregate	0.1	-0.7	-3.0
Government	0.1	-0.8	-3.2
Mortgages	0.1	-1.0	-2.9
Investment Corporate	-0.1	-0.5	-3.0
Long Corporate	-1.7	-3.4	-6.9
Corporate High-Yield	1.1	2.6	1.6
Municipals	0.0	-0.4	-0.9

Principles and perspective for the second half and beyond

Inflation and interest rates will likely command much attention. Progress has been made, but it has at times been halting and unsteady. There will be lots of predictions and forecasts about investing and the “next big thing.” As we approach the presidential election, there will likely be more uncertainty, noise, and predictions.

Solid principles can help... a lot. Renowned investor Howard Marks is the 78-year-old co-chairman of Oaktree Capital Management, which manages \$192 billion dollars. He is known for his wisdom and getting directly to the point. He once said, “You can’t predict but you can prepare.”


We think that summarizes our approach to financial advice. There are things, in life and investing, that defy prediction. We know how to deal with that. We use mathematics, market history and common sense in our investment process. Given the strong returns and narrow leadership in the equity markets, we examine allocations for concentration and resulting risk.

If we haven’t already, we will be in touch for a review. In the meantime, thank you for the trust you have placed in us. We will do our best to earn it. In the meantime, if you need anything, we are here for you.

Sincerely,



Chris Keyes, CFP®



Scott Keyes, CRPC®



Bobby Weaver, MBA, CFP®

Sources: CNBC, S&P Global, Wall Street Journal, Dow Jones Market Data, The Economist, Federal Reserve Bank, Oaktree Capital Management, Barclays Indices, Bloomberg Indices, MSCI

The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Three-year performance data is annualized. Bonds have fixed principal value and yield if held to maturity and the issuer does not enter into default. Bonds have inflation, credit, and interest rate risk. Treasury Inflation Protected Securities (TIPS) have principal values that grow with inflation if held to maturity. High-yield bonds (lower rated or junk bonds) experience higher volatility and increased credit risk when compared to other fixed-income investments. REITs are subject to real estate risks associated with operating and leasing properties. Additional risks include changes in economic conditions, interest rates, property values, and supply and demand, as well as possible environmental liabilities, zoning issues and natural disasters. Stocks can have fluctuating principal and returns based on changing market conditions. The prices of small company stocks generally are more volatile than those of large company stocks. International investing involves special risks not found in domestic investing, including political and social differences and currency fluctuations due to economic decisions. Investing in emerging markets can be riskier than investing in well-established foreign markets. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Russell 2500 Index measures the performance of the 2,500 smallest companies (19% of total capitalization) in the Russell 3000 index. The S&P 500 index measures the performance of 500 stocks generally considered representative of the overall market. The Wilshire REIT Index is designed to offer a market-based index that is more reflective of real estate held by pension funds. CRN-6772091-070924

Securities and investment advisory services offered through offered through **Osaic FA, Inc.**, member FINRA/SIPC. **Osaic FA** is separately owned and other entities and/or marketing names, products or services referenced here are independent of **Osaic FA**.