JUNE 2024

Monthly Market Commentary

From one special month to another, we would like to take the time to say Happy Father's Day to all the fathers out there! Now that it's June, you will likely be able to celebrate with some nice weather! Make sure you take advantage of the summer season because it is short here in Wisconsin and the Midwest. As always, we wish you continued health and happiness in 2024!

Global markets staged a strong comeback in May after a brief pullback over the previous month with equity volatility subdued while cross asset volatility is starting to pick up. Bond yields continue to remain elevated relative to the past decade as inflation continues to be a challenge. Although it has come down from its peak in June of 2022, signs indicate that the path to the FED's 2% goal may be much more protracted than expected, and rates may remain higher for longer. Global economic data has improved while US high frequency economic data surprised to the downside over the last month relative to expectations. The ISM Manufacturing Index dipped into contraction for a second consecutive month, coming in at 48.7 vs 49.2 prior while the ISM Services Index is in expansion at 53.8 vs 50.7 prior in the last month. Second read on 1st quarter GDP on a quarter over quarter basis was revised lower from 1.6% to 1.3% which has renewed concerns of an economic slowdown. We should continue to see fits and starts in the economy as we continue to normalize and get to a more stable path after disruptions of the economy from covid. Over the last few years, these dynamics coupled with tighter policy has had a much more profound impact on companies that are economically sensitive, levered, or are dependent on capital markets for funding. This causes a lot of churn with aggressive rotations in short windows of time making it a challenging environment for both operators and investors. We continue to see the US economy growing at trend growth with inflation inflecting slightly higher albeit at a very tepid pace which should perpetuate a mild stagflationary environment over the next year. With this backdrop, it has been extremely challenging for the FED to navigate policy as they try not to cause extreme stress in the financial system by being too tight, which would be negative for growth. On the flipside, easing policy conditions too much might cause inflation to reaccelerate at a faster pace. As elections loom, expectations in policy changes and future path should continue to keep volatility elevated.