

## Monthly Market Commentary

We hope that you all were able to enjoy the 4<sup>th</sup> of July holiday! The 4<sup>th</sup> of July is bittersweet. On one hand, you get to spend the day with family, cookout, spend time by the lake, and see fireworks. It also means that summer is about half over. With this in mind, make sure to take advantage of the nice weather when you can! As always, we wish you continued health and happiness in 2024!

Global equity markets performed relatively well in the first half of the year despite a few hiccups along the way with the US market relatively outperforming other developed countries. Within the US, mega caps continue to dominate, contributing to the lion's share of performance while small caps continue to lag. On a factor basis, growth, quality, and momentum led while value continued to underperform. On the fixed income side, duration continues to be under pressure while shorter term bonds have performed relatively well as yields remain elevated and investors are comfortable taking on credit risk vs duration risk. As the cycle matures, yields should start to be range bound and provide opportunities for investors to extend duration and lock in higher rates at the long end of the curve. With the market now pricing in the probability of just one rate cut by the end of the year vs six rate cuts priced in at the beginning of the year, the risk of additional rate cuts being priced into the market going forward is elevated with any downside economic surprises.

As we enter the second half of the year, we should expect growth around trend, albeit slowing gradually with inflation elevated relative to the FED's target. Inflation should inflect slightly higher by the end of the year given the current dynamics in the economy. The FED's job is not done yet as they need to find a perfect balance between not slowing the economy too far by remaining too tight for too long, while on the other hand not letting inflation expectations to be unanchored. With the presidential elections around the corner, uncertainty around policy will remain elevated as long as the markets cannot see a high probability outcome one way or the other. Adding to this, after the poor performance of the President at the debate, there has been additional confusion about whether the President will remain on the ticket or step down to give way to another candidate. As always, we will continue to monitor these events and make adjustments when appropriate.

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