QUARTERLY MARKET COMMENT
Second Quarter 2024

ALEXANDER FINANCIAL PLANNING

The markets experienced their first bump in the road during the second quarter. For five months straight the markets experienced positive returns and seemed to be broadening out until April. During this month there was a slight pullback of around 5% and then large growth stocks resumed their upward move. For Q2 U.S. large-capitalized companies (specifically Growth style) outperformed the rest of the domestic markets with the S&P 500 Index (this index represents large companies) up 3.92%. Mid and small-size companies did not fare as well with both down 3% in Q2. As noted in the chart below, the rest of the markets were a mixed bag. Real estate indexes, developed international companies, and long-term bonds, experienced negative returns while commodities, gold, and emerging markets had positive returns. Information Technology and Communications Services were the top-performing sectors, up 14% and 9%, respectively. Fixed income was mixed with 30-year US Treasury Bonds being impacted the most, down 4.10%, and higher-risk bonds experienced positive returns. Mega cap stocks fueled the markets in the second quarter with the S&P Top 50 Index up 9%. Within the S&P Top 50 Index are the “Magnificent 7” and other artificial intelligence (AI) themed stocks that were responsible for most of the strong, yet narrow, performance in the large-cap space. As of June 30th, the outsized performance of a handful of stocks was in juxtaposition with what was happening to the rest of the stocks in the S&P 500; 201 stocks were up while 301 stocks were down, some down over 30%. All along the media continued to report the 7 new closing highs of the S&P 500 in June, bringing the total of new highs to 31, year to date.

The markets shrugged off inflation concerns and the uncertainty of “if or when” the Federal Reserve would begin to cut interest rates in Q2. Due to recent favorable reports on unemployment, housing, and June’s inflation numbers, many are now anticipating the Federal Reserve to begin cutting interest rates in September by 0.25%. In an unusual move, many developed and emerging market countries moved ahead of the U.S. Federal Reserve in June and began cutting interest rates. Historically the U.S. has been the first to cut rates, but due to stronger growth and a more resilient economy that didn’t happen. The likelihood that interest rate cuts are just around the corner has propelled many underperforming areas of the markets higher as we have moved into the 3rd quarter. Short term, there has been a broadening of market participation in the beat-down areas of value style and small-cap companies. Some are calling this the underdog rally!

The U.S. economy is still very resilient and growing but there are some pockets where it is showing signs of slowing. All in all, there is a renewed sense of normalization taking place in the economy. Not everything is within their bandwidth of being defined as normal, but several indicators are, and others are closer than they have been for many years. Historically the markets have experienced higher volatility leading to a presidential election. The general trend of the markets is still up, but the ride may be a bit bumpy at these higher altitudes.

Asset Index Category	2Q 2024 %	YTD-2024 %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	3.92	14.48	13.17	10.79
S&P 400 Index-Mid-size Companies	-3.82	5.34	8.53	7.42
Russell 2000 Index-Sm Companies	-3.62	1.02	5.50	5.55
US Real Estate Funds	-0.80	-1.83	2.86	5.06
Gold	4.93	12.66	9.40	4.96
US Commodities	1.69	6.06	8.32	-0.64
Global Real Estate Funds	-2.72	-3.52	-0.11	2.28
MSCI EAFE-Developed International	-1.48	3.51	3.78	1.61
MSCI EM Index-Emerging Markets	4.13	6.11	0.59	0.33
Barclays US Aggregate Bond Index	0.07	-0.71	-0.23	1.35
Long US Government Bond Index	-4.10	-4.10	-5.45	-1.76
Emerging Market Bond Index	1.04	1.04	0.71	1.19

Investing in anything is not without risk. There are times when the markets get ahead of themselves (price is greater than valuation) or do not digest news well. It is ultimately the long-term upward trend of the markets that we need to stay focused on. The last few years have provided a great case study on the benefits of patience. We appreciate and value the trust you have placed in us to help guide you through your financial life. Please let us know if you have any questions or concerns.

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