LOUISVILLE CAPITAL ADVISORS OF RAYMOND JAMES®

Louisville Capital Advisors
Current Thinking – Third Quarter 2024

Positives:

1) The S&P 500 has rallied to new highs, driven by economic resilience, strength in the Technology sector, and the Fed's 'dovish' stance.
2) Both widely followed measures of inflation, the Consumer Price Index (CPI) and the Producer Price Index (PPI), have shown continued moderation in the path of inflation towards the Fed's target of 2%.
3) The S&P 500 is on pace to close the first half of 2024 up double digits and continue the current bull market that began in October 2022.
4) WTI crude surpassed $80 per barrel for the first time since April 30, which has led the Energy sector to find technical support above its 200-day moving average (DMA).
5) While the market capitalization-weighted S&P 500 continues to make new highs, the equal-weighted S&P 500 index has only increased by about half as much year-to-date, creating opportunities for some unloved areas of the market.

Negatives:

1) In May, the Leading Economic Index declined more than expected. Elevated inflation and high interest rates are impacting consumer spending and pointing to a potential US economic slowdown in the latter part of the year.
2) The trailing 12-month P/E (Price to Earnings) ratio on the S&P 500 is 24. Historically, P/E ratios at the level have led to lower future returns from equities.
3) The CBO projects the fiscal 2024 budget deficit at $1.9 trillion, $400 billion higher than February projections and $300 billion larger than last year's deficit. Consequently, the Treasury Department will need to issue additional debt.
4) Housing starts and new permits are now sitting at the lowest levels in four years. This is a negative for future inflation as shelter costs have been a contributor to higher inflation over the last few years.
5) The initial jobless claims average increased in the past two weeks compared to the first half of the year. While not yet a long term trend, this should be watched as the labor market has been a key driver of economic growth.

Considerations

1) Although politics and election uncertainty impact volatility, market returns are primarily driven by fundamentals such as the economy, earnings growth, valuations, Fed policy, and inflation, rather than the party in the White House.
2) Although the impulse to preserve investments is natural, historical data demonstrates that staying invested yields better results.
3) When it comes to individual bonds, understanding what you own is crucial. Credit quality becomes increasingly important as the time until maturity lengthens.
4) The number of stocks responsible for the rise in the market indices continues to narrow which should lead to portfolio adjustments if you are overweight these companies.
5) Continue to look for higher paying cash options or CDs to increase the yield on your safe money.