Allen M. Zick, CFP®
Financial Advisor
allen.zick@raymondjames.com
845-294-0955

Alex Taub, CRPC®
Financial Advisor
alex.taub@raymondjames.com
845-294-0959

Brad J. Whitted
Financial Advisor
brad.whitted@raymondjames.com
845-294-0988

Clear Direction in a Complex World

Michele Eckerson
Client Service Manager
michele.eckerson@raymondjames.com
845-294-0930

Quarterly Insights – July 2024

The S&P 500 impressively rebounded from April declines and hit a new high thanks to increased rate cut expectations, falling Treasury yields and continued robust earnings growth from Artificial Intelligence linked technology companies.

The second quarter produced a more mixed performance across various markets than the strong return in the S&P 500 might imply, as AI-driven tech-stock enthusiasm again powered the Nasdaq and S&P 500 higher while other major indices lagged. The Nasdaq was, by far, the best performing major index in the second quarter while the S&P 500, where tech is the largest sector weighting, also logged a solidly positive gain. Less tech focused indices didn't fare as well, however, as the Dow Jones Industrial Average and small-cap focused Russell 2000 posted negative quarterly returns.

By market capitalization, large caps outperformed small caps in Q2, as they did in the first quarter of 2024. Initially, higher Treasury yields in April weighed on small caps, while late in the second quarter economic growth concerns pressured the Russell 2000.

From an investment style standpoint, growth outperformed value in the second quarter, as tech-heavy growth funds once again benefited from continued AI enthusiasm. Value funds, which have larger weightings towards financials and industrials, posted a slightly negative quarterly return as the performance of non-tech sectors more reflected growing concerns about economic growth.

On a sector level, performance was decidedly mixed as only four of the 11 S&P 500 sectors finished the second quarter with positive returns. The best performing sectors in the second quarter were the AI-linked technology and communications services sectors. They posted strong returns, aided by better-than-expected earnings results from NVDA, ORCL, AVGO, TSM, MSFT, AMZN and others as AI enthusiasm continued to push the broad tech sector and S&P 500 higher. Utilities also logged a modestly positive quarterly return, as the high yields and resilient business models were attractive to investors given rising concerns about future economic growth, while declining Treasury yields made higher dividend sectors such as utilities more attractive to income investors.

Turning to the sector laggards, the energy, materials and industrials sectors closed the quarter with modestly negative returns. Their declines reflected growing anxiety about future economic growth as those sectors, along with small-cap stocks, are more sensitive to changes in U.S. and global growth.

US Equity Indexes	Q2 Return	YTD
S&P 500	4.28%	15.29%
DJ Industrial Average	-1.27%	4.79%
NASDAQ 100	8.05%	17.47%
S&P MidCap 400	-3.45%	6.17%
Russell 2000	-3.28%	1.73%

Source: YCharts

Internationally, emerging markets outperformed the S&P 500 in Q2 thanks to optimism towards a rebound in Chinese economic growth and as falling global bond yields late in the quarter boosted the attractiveness of emerging market investments. Foreign developed markets, meanwhile, lagged both emerging markets and the S&P 500 and posted a fractionally negative quarterly return. Concerns about the timing and number of Bank of England and European Central Bank rate cuts, along with French and German political concerns later in the quarter, acted as headwinds for foreign developed equities.

International Equity Indexes	Q2 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	-0.06%	5.75%
MSCI EM TR USD (Emerging Markets)	5.40%	7.68%
MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	1.32%	6.04%

Source: YCharts

Commodities saw slight gains in the second quarter thanks to aforementioned optimism on Chinese economic growth and as geopolitical concerns rose throughout the quarter. Gold rallied solidly on the uptick in geopolitical risks, following the tit-for-tat strikes between Israel and Iran, along with the growing chances of a direct Israel/Hezbollah conflict. Oil, meanwhile, logged a small loss on signs of slipping OPEC+ production discipline and concerns about future global growth and demand.

Commodity Indexes	Q2 Return	YTD
S&P GSCI (Broad-Based Commodities)	0.65%	11.08%

S&P GSCI Crude Oil	-2.07%	13.68%
GLD Gold Price	4.47%	12.60%

Source: YCharts/Koyfin.com

Switching to fixed income markets, the leading benchmark for bonds (Bloomberg Barclays US Aggregate Bond Index) realized a slightly positive return for the second quarter, as rising expectations for a September Fed rate cut and moderating U.S. economic growth boosted bonds broadly. Looking deeper into the fixed income markets, shorter-duration bonds outperformed those with longer durations in the second quarter, as bond investors priced in sooner-than-later Fed rate cuts. Longer-dated bonds, meanwhile, were little changed on the quarter despite the return of disinflation and moderating U.S. economic growth.

Turning to the corporate bond market, lower-quality, but higher-yielding "junk" bonds rose modestly in the second quarter while higher-rated, investment-grade debt logged only a slight decline in Q2. That performance gap reflected continued investor optimism towards corporate profits despite some disappointing economic reports, which led to bond investors taking more risk in exchange for a higher return.

US Bond Indexes	Q2 Return	YTD
BBgBarc US Agg Bond	0.07%	-0.71%
BBgBarc US T-Bill 1-3 Mon	1.34%	2.68%
ICE US T-Bond 7-10 Year	-0.05%	-1.40%
BBgBarc US MBS (Mortgage-backed)	0.07%	-0.98%
BBgBarc Municipal	-0.02%	-0.40%
BBgBarc US Corporate Invest Grade	-0.09%	-0.49%
BBgBarc US Corporate High Yield	1.09%	2.58%

Source: YCharts

Third Quarter Market Outlook

Stocks begin the third quarter of 2024 riding a wave of optimism and positive news as inflation is declining in earnest, the Fed may deliver the first rate cut in over four years this September, economic growth remains generally solid and substantial earnings growth from AI-linked tech companies has shown no signs of slowing down.

Those positives and optimism are reflected in the fact that the S&P 500 has made more than 30 new highs so far in 2024 and is trading at levels that, historically speaking, are richly valued. That said, if inflation continues to decline, economic growth stays solid and the Fed delivers on a September cut, absent any other major surprises, it's reasonable to expect this strong 2024 rally to continue in Q3.

However, while the outlook for stocks is undoubtedly positive right now, market history has shown us that nothing is guaranteed. As such, we must be constantly aware of events that can change the market dynamic, as we do not want to get blindsided by sudden volatility.

To that point, the market does face risks as we start the third quarter. Slowing economic growth, disappointment if the Fed doesn't cut rates in September, underwhelming Q2 earnings results (out in July), a rebound in inflation and geopolitical surprises (including the looming U.S. elections) are all potential negatives. And, given high levels of investor optimism and current market valuations, any of those events could cause a pullback in markets similar to what was experienced in April (or worse).

While any of those risks (either by themselves or in combination with one another) could result in a drop in stocks or bond prices, the risk of slowing economic growth is perhaps the most substantial threat to this incredible 2024 rally. To that point, for the first time in years, economic data is pointing to a clear loss of economic momentum. So far, the market has welcomed that moderation in growth because it has increased the chances of a September rate cut. However, if growth begins to slow more than expected and concerns about an economic contraction increase, that would be a new, material negative for markets. Because of that risk, we will be monitoring economic data very closely in the coming months.

Bottom line, the outlook for stocks remains positive but that should not be confused with a risk-free environment. There are real risks to this historic rally and we will continue to monitor them closely in the coming quarter.

To that point, at Zick Whitted Taub Investment Strategies, we are committed to helping you effectively navigate this investment environment. Successful investing is a marathon, not a sprint, and even intense volatility is unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, it's critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline.

We remain focused on both opportunities and risks in the markets, and we thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.

Sincerely,

Allen Zick, CFP®	Brad Whitted, CPFA	Alex Taub, CRPC®
Financial Advisor	Financial Advisor	Financial Advisor

Disclosures: The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. This material was prepared by Sevens Report, an independent third party, for use by the financial advisors of Zick Whitted Taub Investment Strategies. Raymond James is not affiliated with and does not endorse the opinions or services of Sevens. Any opinions are those of the authors and not necessarily those of Raymond James. Expressions of opinion are as of this date and are subject to change without notice. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions. Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The NASDAQ-100 (^NDX) is a stock market index made up of 103 equity securities issued by 100 of the largest non-financial companies listed on the NASDAQ. It is a modified capitalization-weighted index. ... It is based on exchange, and it is not an index of U.S.-based companies. The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, measures the performance of mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indices. The index's three largest industries are materials, energy, and banks. The MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of June 2007 the MSCI ACWI consisted of 48 country indices comprising 23 developed and 25 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. S&P GSCI Gold is an index tracking changes in the spot price for gold bullion. S&P GSCI Crude Oil is an index tracking changes in the spot price for crude oil.