

THE MARKET MEMO



DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

Have the steady hand of the Federal Reserve (Fed) and the resilience of the U.S. economy created the much-hoped-for “soft landing” at the bottom of the inflation crisis? Time will tell – even as it declines, inflation remains above target levels – but the market seems willing to give the benefit of the doubt.

In July, equity markets built on a strong first half of the year and continued to push upward. The S&P 500 marked a 3% climb for the month and the Dow Jones Industrial Average reported 13 consecutive days of gains, falling one day shy of a record run that dates back to 1897. It was still the ninth straight year July closed with a positive market performance. The clarity of the Fed’s forward messaging has likely helped, allowing it to raise interest rates as part of its inflation-fighting program by another quarter of a percentage point in July without causing much of a blip. The target federal funds rate, now set between 5.25% and 5.5%, is the highest in 22 years.

It’s worth reiterating that soft landings for the economy infrequently occur, and a confluence of data still suggests a mild – and brief – recession on the horizon.

The economy has continued to grow at a better-than-expected rate – the second quarter produced a 2.4% annualized rate of growth – even as consumer consumption considerably slowed and private employment creation in June reached the lowest point since December 2020. (State and local government hiring pushed the total employment creation to 209,000.)

The bottom line

The soft-landing narrative and the surge of enthusiasm for AI technology have contributed to the market’s good mood, but there are plenty of concerns to consider which could upset those cheerful feelings in the coming months: inflation, the lagging effects of higher interest rates, or price adjustments as the reality of even a soft landing emerges.

As that information presents itself, we may see a fair bit of market choppiness. This is why, even though the market’s monthly moves are fascinating and informative, they are far from instructive for a long-term investor.

As we discover tomorrow together, we remain grateful for your continuing support and trust. If you wish to speak about any topic here or would like to discuss any aspect of your financials, please reach out at your earliest convenience.

Sincerely,

CHRISTOPHER BEAVERS, CRPC®, CPFA

Managing Director
Branch Manager
Senior Vice President, Wealth Management

6060 Bryant Irvin Rd
Fort Worth, TX 76132



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