

THE MARKET MEMO

DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

Having hit 31 record highs since January and up more than 15% year to date, the S&P 500 is off to its best start to the year since 2019 and the best start to an election year ever, driven by mega-cap tech stocks and artificial intelligence tailwinds. NVIDIA’s meteoric gains and 10-for-1 stock split briefly propelled the company’s market cap above \$3 trillion, surpassing Microsoft as the most valuable public company in the world.

“Tech, Communication Services, and Consumer Discretionary remained center stage as market performance concentration continued — S&P 500 minus mega-cap tech was down,” said Raymond James Chief Investment Officer Larry Adam. “The market continues to rally on weaker economic data but we caution that a slowing economy could dampen earnings growth and hamper the market in the near term.”

Economic growth has moderated – a good sign to those looking to trust recent, improving inflation numbers. For fixed income, this has helped the Bloomberg U.S. Aggregate Bond Index claw back its year-to-date losses.

The year started with expectations for the Federal Reserve to cut interest rates three times beginning in the middle of the year, but higher than expected inflation early in the year halted those hopes. The Fed once again chose to hold rates steady in June and revised its projections to signal only one rate cut this year. However, if inflation continues to cool, we may see two.

The Consumer Price Index (CPI) printed 0.0% in May – a surprise to the markets, which were expecting a 0.1% increase. The core CPI also came in lower than market expectations, up 0.2%. Hopes that inflation may be continuing to decrease were bolstered by a lower-than-expected Personal Consumption Expenditures index last week.

With the S&P 500’s dogged run and the looming election, it’s normal for investors to ponder the best course of action. Navigating all-time highs is part of the journey – they don’t always mean a correction is imminent, but rather signal a healthy and growing economy. Even if a correction does occur, taking a long-term view will generally yield better results. As always, reach out to me directly to ensure your portfolio is in line with your specific goals and timelines.

We will remain committed to the pursuit of your financial goals and thank you for your continued trust in our guidance. If you have any questions regarding this recap – or any other topic – please don’t hesitate to reach out.

Sincerely,

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