CLEVELAND HAUSWIRTH INVESTMENT MANAGEMENT

INVESTMENT UPDATE

2024 --- 2nd Quarter

MIXURE OF UP AND DOWN

U.S. stocks continued to move higher throughout the quarter, although gains were concentrated in just a handful of mostly tech-related names. Using the S&P 500 Index for a broad view, the quarter started off on a negative foot in April, but then rebounded in May and continued to rise in June.

For the quarter, the S&P 500 Index was up +4.28% and international stocks rose to a lesser extent with a +1.0% gain. The U.S. bond market was again flat at +0.07% as measured by the Bloomberg U.S. Aggregate Bond Index. The Dow Jones Industrial Average (DJIA) was -1.27%. This mixture of returns resulted in very flat (slightly positive or negative) rates of return for the quarter in individual accounts. However, the year-to-date return overall is still nicely positive.

How did the economy do in the quarter?

- The economy is faring well and grew 2.4% in the 2nd quarter. At the same time, growth is slowing which is what the Federal Reserve wants it to do.
- One surprise was that consumers pulled back their spending, particularly in April and May.
- Unemployment rates are expected to fluctuate around 4% for the rest of the year, which is okay.
- Core inflation eased in the quarter. Continued favorable inflation readings may allow the Fed to make an interest rate cut, possibly in September. Something everyone is waiting for.

What do we mean when we say the gains are concentrated?

A select few stocks have been driving investment returns, namely stocks of the so-called Magnificent 7 big tech-related companies (Apple, Microsoft, Google, Amazon, Nvidia, Meta, and Tesla). They make the return numbers, particularly for the S&P 500 Index, somewhat misleading because those stocks account for one-third of the overall results. On the one hand we had nice, big returns last year and into 2024 because of them. The downside is the risk of volatility when there is high concentration in just a few companies.

There are hundreds more companies of all different sizes and characteristics that make up the “stock market”, not just the Magnificent 7. We count on them to provide opportunity and diversification. It is still true that the economic recovery we are working through is affecting individual companies in different ways at different times. The good news is that many companies that have had challenges are showing signs of recovery and are expected to contribute to overall investment returns once again. This presents tremendous investing opportunities.

The second quarter was a busy one. Looking to the second half of the year and beyond, lingering geopolitical uncertainty and an upcoming U.S. presidential election, along with the divergence in performance across assets, underscores the importance of diversification.

A final note.

At the time of this writing, we have seen almost daily changes in the political landscape surrounding the upcoming election. We recommend that you don’t allow election predictions and outcomes to influence investment decisions. Expect volatility, it will be short-lived. Stick to a long-term investment strategy instead of trying to time markets around elections.

Please feel free to call Nan or Ann at 414-431-6491 with your concerns.

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