Weekly Market Commentary
June 10, 2024

The Markets

Another record high for the Standard & Poor's (S&P) 500 Index!

Last week, the S&P 500 Index hit its 25th record high for 2024. Investor enthusiasm for artificial intelligence helped drive the index to a new high. About 30 percent of the Index is information technology stocks.

The S&P 500 also benefitted from reports that forecast a slowdown in hiring for May. Economists expected the jobs report to show 190,000 new jobs were added by U.S. employers in May, and hourly earnings increased by 3.9 percent over the last 12 months, reported Jeff Cox of CNBC.

Why did investors want to see hiring slow down?

The answer is that the strength of the labor market is one factor the United States Federal Reserve (Fed) will consider when deciding whether the economy is slowing enough to lower the federal funds rate. Slower labor market growth is a sign of economic weakness, which could move the Fed toward rate cuts. Instead, U.S. labor market data suggested the economy is still strong.

"In theory, a decrease in the federal funds rate drives the stock market higher. This is because investors expect low rates to fuel spending and boost the economy, increasing the profitability of corporations," reported Rocco Pendola, Adam McFadden and David Tony of CNN.

So, Friday's employment report came as quite a surprise.

The economy added 272,000 new jobs in May, exceeding economists' expectations. In addition, average hourly earnings rose faster than expected, rising 4.1 percent over the last 12 months. (Hourly earnings increased faster than inflation. The most recent Consumer Price Index showed headline inflation was 3.4 percent over the last 12 months.)

The good economic news disappointed investors, and U.S. stocks fell on Friday. Over the full week, though, major U.S. stock indices moved higher. Yields on many maturities of U.S. Treasuries moved lower for much of last week. On Friday, after the employment report was released and expectations for Fed rate cuts changed, Treasury yields generally moved higher.

Data as of 6/7/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year

Standard & Poor's 500 Index	1.3%	12.1%	25.3%	8.2%	13.2%	10.6%
Dow Jones Global ex-U.S. Index	0.7	5.0	11.1	-2.7	3.9	1.7
10-year Treasury Note (yield only)	4.4	N/A	3.8	1.6	2.1	2.6
Gold (per ounce)	-1.6	11.2	17.5	6.9	11.5	6.3
Bloomberg Commodity Index	-1.1	3.2	1.1	2.6	5.7	-2.7

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

A VOLATILE MIX: POLITICAL POLLS AND INVESTING. During elections, political polls tend to be abundant. Polling organizations gather data using a variety of methodologies and then publish information that purports to reflect the public's views.

Last week, John Authers of Bloomberg reminded readers not to make investment decisions based on polling data. "…While investors are good at gauging economic and corporate risks, political ones are harder. In particular, they tend to put more weight on opinion polls than they can bear; they're also prone to misjudge what politicians will do once in office."

The election in India last week delivered a timely example.

"…India has the world's largest democracy with the world's most popular leader (according to the Morning Consult survey), favorable demographics, and debt on a sustainable path, all supporting the world's fastest economic growth," wrote Jeffrey Kleintop of Schwab.

The country's growth has been supported by domestic government policies and international supply chain diversification. As a result, the Indian stock market has been growing and moving closer to an equal weighting with China in the MSCI Emerging Markets Index, reported Kleintop.

Political polls predicted that Narendra Modi, India's current prime minister, and his party would win by a landslide. Instead, Modi won but his party lost its majority, and a coalition government must be formed.

The unexpected result raised concerns about future government policies, and "drove two days of dramatic trading as the benchmark Sensex index shot for the sky after weekend exit polls indicated a landslide, then tanked in response to live results," reported Authers.

The Guardian called 2024, the Super Bowl of democracy.

This year, 40 countries will be holding elections. The countries encompass 40 percent of the world's population and a significant share of the global economy. Ezra Fieser of Bloomberg reported:

"From Mumbai to Mexico City, the Year of the Election…is already burning investors, providing an early warning as elections in the European Union and UK near, and five months ahead of the U.S. presidential contest…In the U.S. — with a neck-and-neck rematch shaping up so far between President Joe Biden and Trump — traders have started bracing for heightened volatility..."

If you have questions about the way elections could affect markets or your portfolio, please get in touch.

Weekly Focus – Think About It

"It must be around forty, when you're 'over the hill.' I don't even know what that means and why it's a bad thing. When I go hiking and I get over the hill, that means I'm past the hard part and there's a snack in my future. That's a good thing as far as I'm concerned."

—*Ellen DeGeneres, comedian*

Best regards,

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* 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 Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Stock investing involves risk including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.
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