

**CLIENT UPDATE: July 2024**

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*July 8, 2024*

**Impressive First Half Returns**

The stock market returned 14% in the first half of 2024. As impressive as that may appear, approximately one-third of that 14% return came from a single stock, Nvidia. And if you include just four more stocks, Alphabet (Google), Microsoft, Amazon, and Meta (Facebook), those top five stocks together account for one half of the market's 14% return for the first half of the year.

The stock market has been unusually narrow, with so few stocks accounting for most of the gains. It can feel as if all you need to do is just invest in these top few companies and nothing else. This type of extreme market behavior has occurred before and it inevitably changes, with most of the rest of the market participating.

We recommend staying more broadly diversified and not just chasing the biggest gainers. A few years ago, Tesla's stock price was rising daily, weekly, and monthly until it peaked at \$409/share on 11/04/21. Nearly three years later it is trading at a little more than half of that price. Stock prices can and do get ahead of themselves.

Although it appears that the Federal Reserve may start lowering interest rates later this year, interest rates on fixed income investments, CD's, and Treasury securities, are at the highest levels in fifteen years. Earning 5% on one-to-three-year fixed income investments has finally become an attractive complement to stocks as we have reduced stock exposure for some portfolios.

Some clients have expressed concerns about adjusting their portfolios in advance of the upcoming presidential elections. There is really no way to anticipate how the markets will react to the election results. If history is any guide however, it really has not made a difference which party is in the White House.

Any adjustments to your portfolio should be based on your own personal time horizon and cash needs rather than trying to anticipate uncontrollable and unknowable events.

We hope you are enjoying your summer.

Best regards,

Dave & Jim

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