FORD & ASSOCIATES
WEALTH MANAGEMENT

Quarterly Commentary

Q2 2024

Market Commentary

With significant concerns about economic growth, inflation, and the resilience of the US consumer facing the highest interest rate environment in over a decade, the second quarter of 2024 presented a complex economic landscape. U.S. GDP growth slowed to an annualized rate of 1.4% for Q1, down from 3.4% in Q4, as consumer spending moderated amid persistent inflationary pressures. Inflation remained above the Fed's target at 3.3% as of the May print, a range it has been stuck at since mid 2023. The Federal Reserve maintained its hawkish stance, keeping interest rates elevated while refusing to give any specifics on when they will start the process of cutting interest rates. The labor market showed resilience with an unemployment rate of 4.0%, according to the May Bureau of Labor Statistics report; though, job growth decelerated. In Europe, economic growth was sluggish, with the Eurozone's GDP growing at a mere 0.3% annualized rate and inflation at 2.6%, up modestly in May primarily due to energy prices. The European Central Bank cut interest rates in June by 25 bps after giving guidance earlier in the year that a cut was all but guaranteed, a move that could be premature given the recent uptick in inflation. China's economy posted a 5.3% GDP growth rate, spurred by increased government spending and a rebound in consumer demand; although, structural challenges such as real estate sector vulnerabilities and demographic shifts continued to pose risks.

In the face of all that, major equity market indices once again rose in the second quarter with the S&P 500 Index gaining 4.3% and up 14.7% for the first half of the year, the third largest first half gain in the past 25 years. The strong start to the year was not widely shared among market constituents, with less than 25% of companies within the index outperforming the benchmark. Gains seemed to be concentrated in companies tied to the build out and adoption of Artificial Intelligence. The narrow breadth of equity markets, where few winners drive the majority of gains, continues to hinder diversified portfolios that are less concentrated in some of these individual names. International equities continue to underperform the US as the Eurozone gained less than 1% in the quarter, and Japanese indices pulled back in Q2 after a strong start to the year due to strength of the U.S. dollar. Bond market volatility continues to be elevated, albeit down from extreme levels in recent years, with the U.S. 10-year Treasury yield rising modestly in the first six months of the year to 4.3%, and credit spreads tightening marginally.

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