

# PDS WEALTH MANAGEMENT



## Quarterly Investment Report – Q2 2024

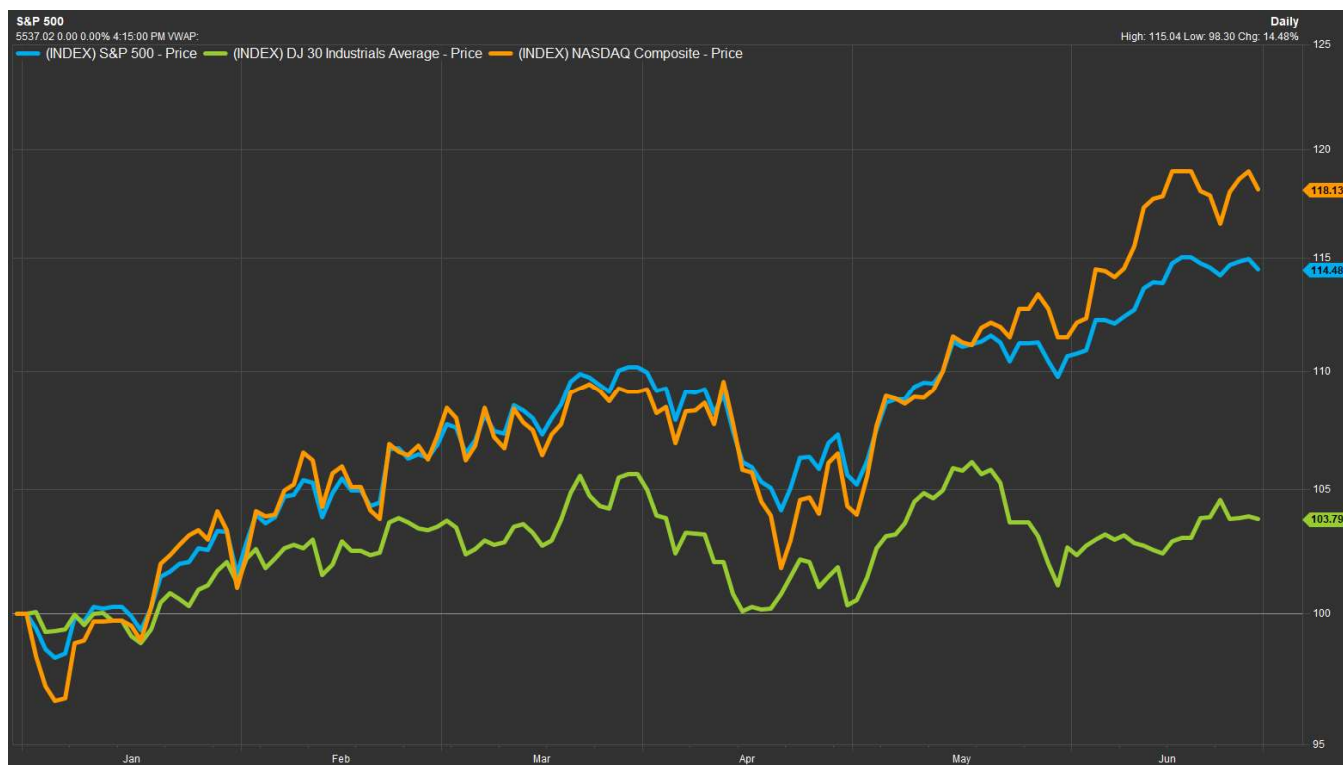
We have crossed the halfway point of 2024 and, in the second quarter, markets enjoyed another quarter of gains with limited volatility. The economy continues to plod along, albeit at a slower pace, and expectations are growing that a cut in interest rates is approaching. We have seen volatility in the political sphere, both here and abroad. International elections have seen wild swings in outcomes as many incumbents have been given the boot. We trust you are cognizant (likely more so than some of the participants) of the latest intrigues leading up to our own elections in the US.

It wouldn't be unusual for some bedlam to spill over from politics into the market realm. Election years typically witness some setbacks to markets as the election approaches. Nonetheless, as you will see below, there is much to be encouraged by as the headwinds of recent years (inflation, higher interest rates) may shift to tailwinds before long.

### Markets

#### Stocks

US Stock Indices YTD – **S&P 500**, **Dow Jones Industrial Average**, **Nasdaq Composite**



Source: FactSet; as of June 30, 2024

Similar to the cadence experienced in Q1, stocks modestly declined at the beginning of Q2 before climbing higher for the remainder of the quarter. The performance in Q2 was more discriminating than Q1, however, as the S&P 500 and Nasdaq composite rose 4.3% and 8.1%, respectively, while the Dow Jones Industrial Average lost 1.2%.

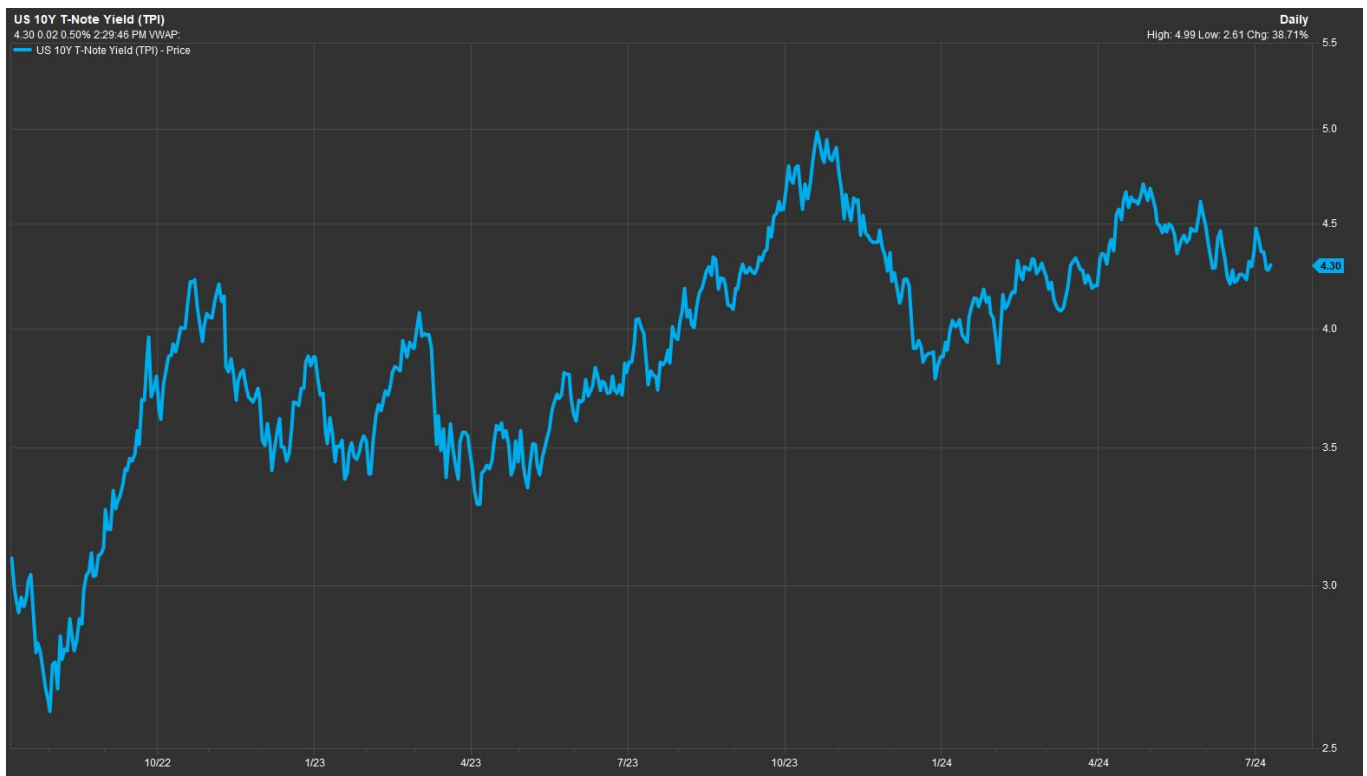
The sector leaders from Q1, Technology and Communication Services, extended their lead over other sectors in Q2, posting respective gains of 13.8% and 9.4%. Utilities added 4.7% while performance for Consumer Discretionary, Staples, Healthcare, and Real Estate hovered between +/-1%. Financials, Industrials, and Energy all lost ~2% while Materials fell 4.5%. All sectors have posted gains for the first half of 2024 except for Real Estate with a 2% decline for 1H.

There is growing angst about the “breadth” of the market’s rise as fewer stocks are participating in the upside charge. The “Mag 7” (which has replaced the old “FAANG” moniker as the constituents have reshuffled) are responsible for much of the market’s upside thus far in 2024. Ryan Detrick at Carson Group points out, however, that after removing the Mag 7, the S&P 500’s performance is still up 4% for the year, which, when annualized, is in line with the average annual performance for stocks.

## Bonds

Bond prices have been under pressure most of the year as interest rates have risen, though performance has been offset by interest payments. The Bloomberg Barclays Aggregate Bond Index is fractionally higher on the year. The yield on the 10-year Note has risen ~50bps year-to-date to ~4.3%.

### 10-Year US Government Note Yields

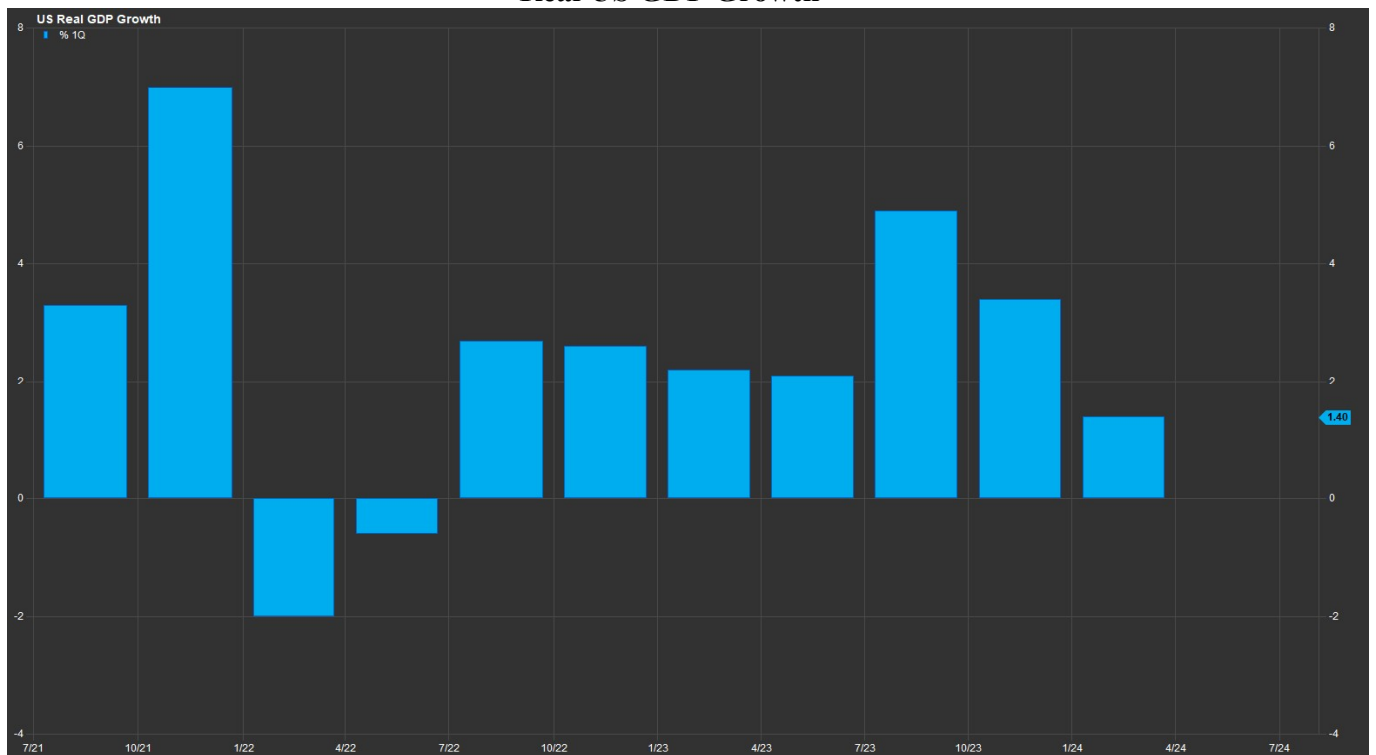


Source: FactSet; as of July 9, 2024

## Economics

“Moderating” could be the most accurate term to describe the current state of the US economy and underlying variables, like employment and inflation. GDP growth has steadily fallen from over 4% in the middle to 2023 to 1.4% as of the latest reading for Q1 – still positive but growing at a slower clip.

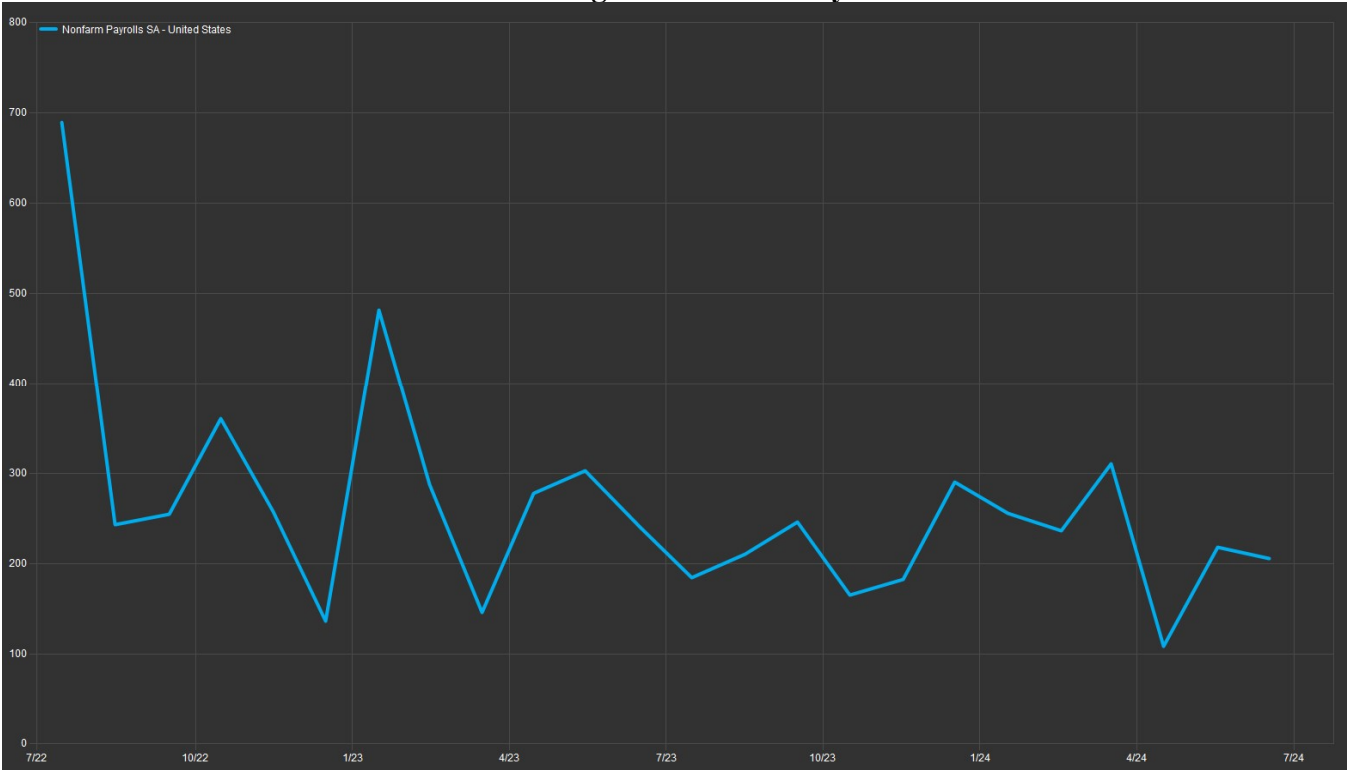
### Real US GDP Growth



Source: FactSet; as of June 27, 2024

The pace of job growth also shows moderating activity as monthly payrolls hover around 200,000 per month...

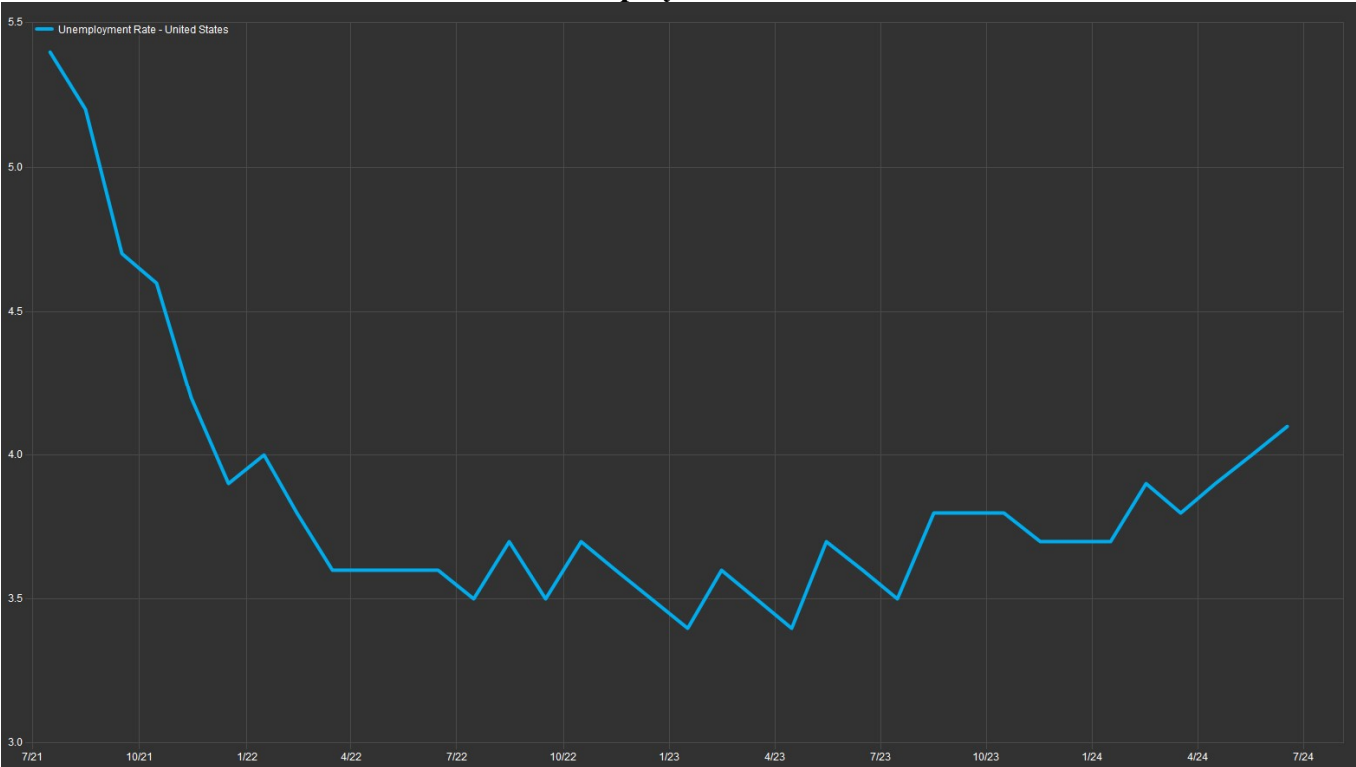
### M/M Change in Nonfarm Payrolls



Source: FactSet; as of July 5, 2024

...while the unemployment rate has ticked up modestly to 4.1% - not ringing any alarm bells yet but likely has the Fed's attention as a supporting factor for easing rates.

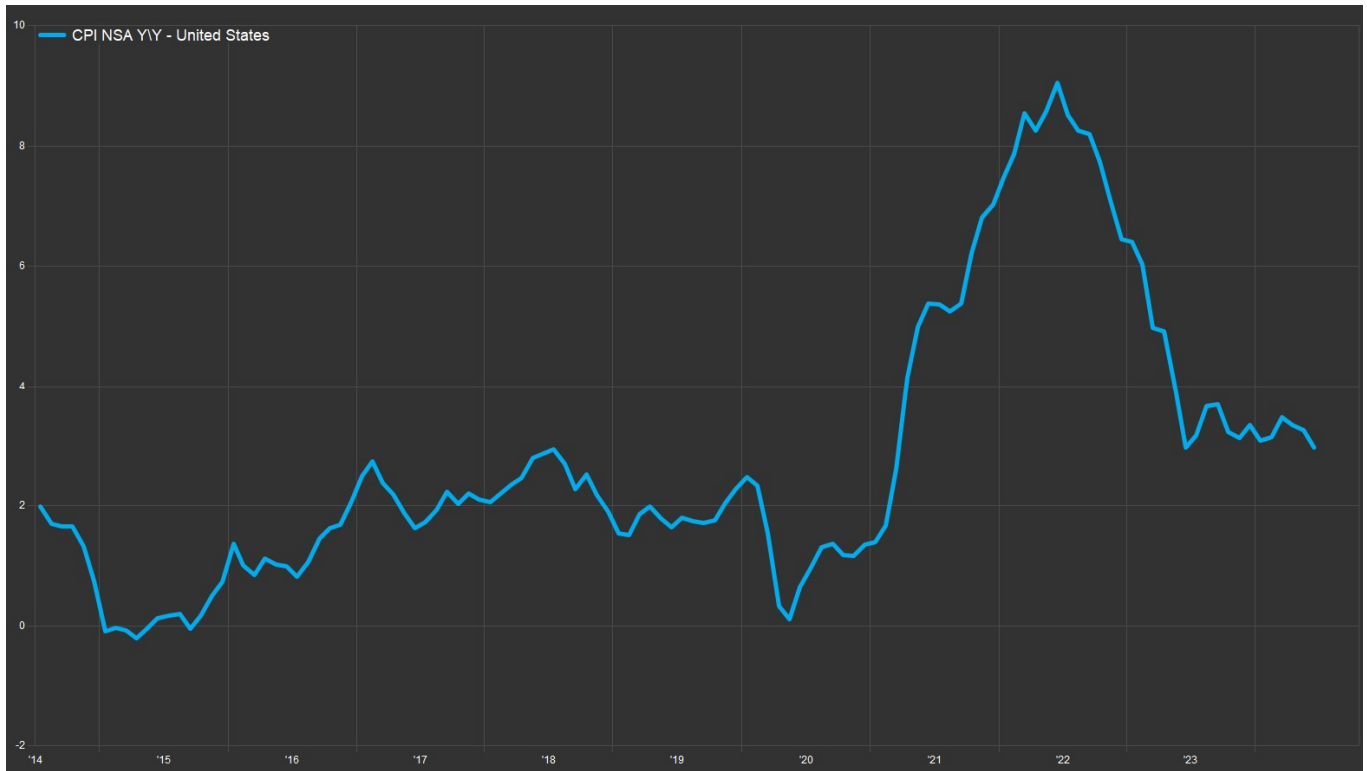
### Unemployment Rate



Source: FactSet; as of July 5, 2024

Meanwhile, inflation is also moderating. Yesterday's headline CPI of +3.0% year over year is still above the Fed's 2% target, but well below levels of the last few years. This trend is also supportive of a rate cut, though the Fed may not declare mission accomplished just yet.

### Y/Y Headline CPI



Source: FactSet; as of July 11, 2024

Collectively, the above date points are setting the stage for a rate cut by the Fed, likely at their September 18th meeting. Expect the groundwork to be laid ahead of time.

### Conclusion

We hope you are enjoying a peaceful and rejuvenating summer season, and that your sanity does not moderate throughout the upcoming election season. There is no doubt that many will lose theirs.

Paul Spencer, CFA®

Director

*PDS Wealth Management is a group comprised of investment professionals registered with Hightower Advisors, LLC, an SEC registered investment adviser. Some investment professionals may also be registered with Hightower Securities, LLC, member FINRA and SIPC. Advisory services are offered through Hightower Advisors, LLC. Securities are offered through Hightower Securities, LLC. This is not an offer to buy or sell securities. No investment process is free of risk, and there is no guarantee that the investment process or the investment opportunities referenced herein will be profitable. Past performance is neither indicative nor a guarantee of future results. The investment opportunities referenced herein may not be suitable for all investors. All data or other information referenced herein is from sources believed to be reliable. Any opinions, news, research, analyses, prices, or other data or information contained in this presentation is provided as general market commentary and does not constitute investment advice. PDS Wealth Management and Hightower Advisors, LLC or any of its affiliates make no representations or warranties express or implied as to the accuracy or completeness of the information or for statements or errors or omissions, or results obtained from the use of this information. PDS Wealth Management and Hightower Advisors, LLC assume no liability for any action made or taken in reliance on or relating in any way to this information. The information is provided as of the date referenced in the document. Such data and other information are subject to change without notice. This document was created for informational purposes only; the opinions expressed herein are solely those of the author(s) and do not represent those of Hightower Advisors, LLC, or any of its affiliates.*