

MONTHLY SUMMARY | JULY 2024

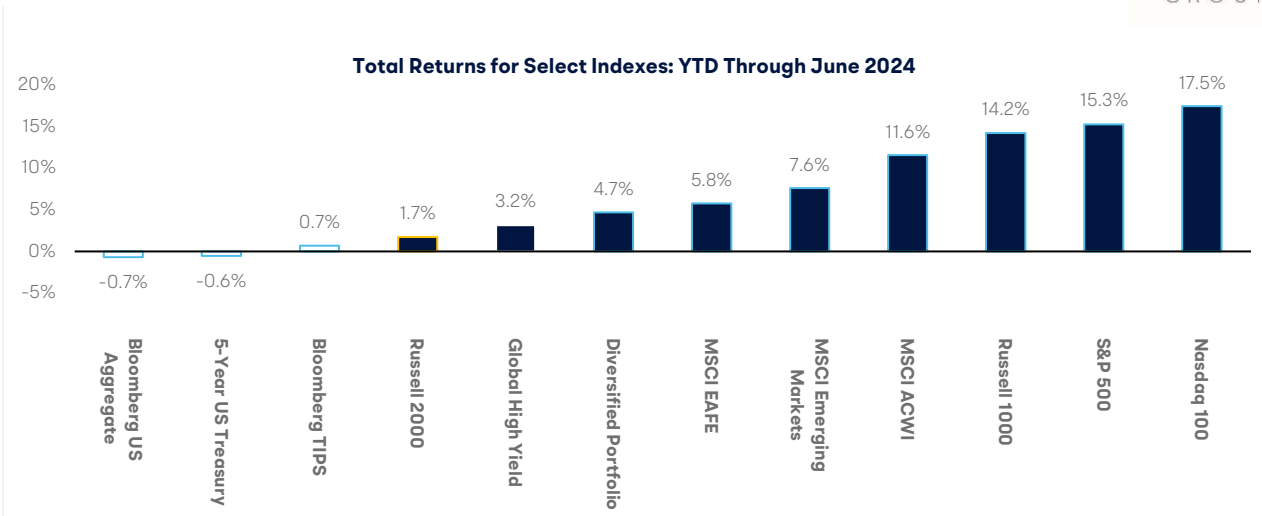


Market Expectations & Sentiment

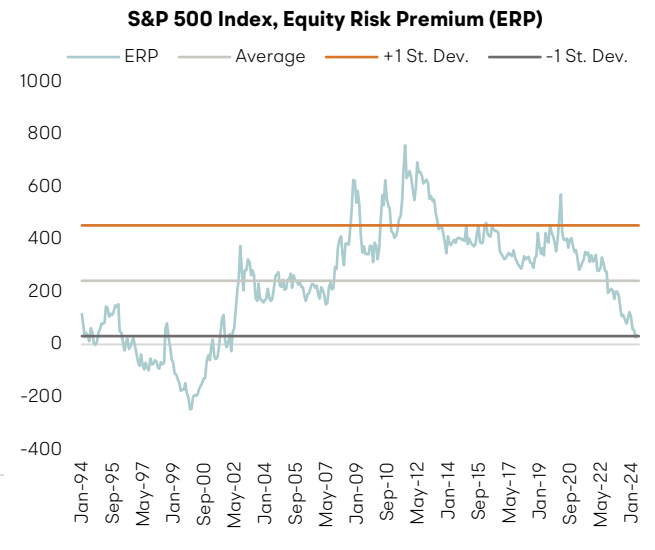
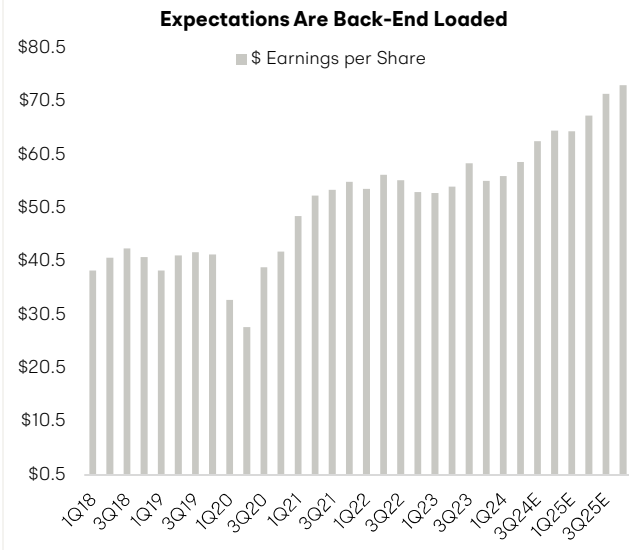
- Expected growth of earnings of S&P 500 companies continues to appear ambitious. Earnings per share for calendar year 2025 is currently expected to be \$279 versus \$245 for 2024, a 14% increase, which is well-above historical average.
- Even if ambitious earnings estimates of 2025 do materialize, such expectations may already be reflected in the price of the S&P 500 Index, which currently trades at a price-to-forward earnings ratio of 23.2.
- Market conviction about the amount and pacing of Federal Reserve rate cuts has continued to solidify. The markets are pricing in a 90% probability of the first rate cut arriving in September.

Economic & Financial

- The June 2024 reading of the Consumer Price Index surprised markets by registering a decline from May 2024. Core items and housing prices also showed signs of deceleration.
- The US labor market continued the trend of cooling, with the percentage of people over age 16 actively looking for work at its highest level in 27 months and continuing unemployment claims moving higher.
- Much of the stock market rally from since October 2023 has been driven by increased expectations rather than realized earnings.
- Virtually all of the recent earnings growth within the S&P 500 Index has been attributable to seven mega-cap stocks (a.k.a. the "Magnificent Seven"). As of the second quarter of 2024 for example, the Magnificent Seven's net income had increased by 28% for the trailing year versus a decrease of 1% for the remaining 493 stocks in the index.



Diversified Portfolio is comprised of 40% MSCI ACWI, 40% Bloomberg US Aggregate, 5% FTSE US 3 Mo. T-Bills, 9%, HFRX Global Hedge Funds, 3% Bloomberg Commodity Index, and 3% FTSE NAREIT All Equity REITS Total Return Index



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