Mosaicfi *Market Insights*

JULY 2024

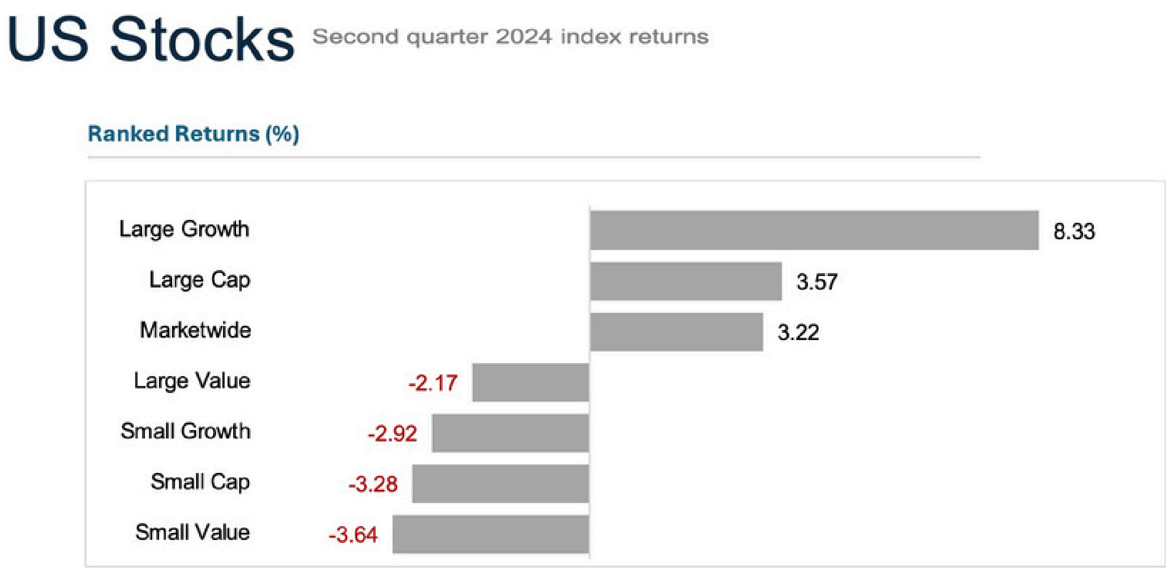

chart courtesy of Dimensional Fund Advisors 6-30-2024

Q2 2024

WRITTEN BY JENIFER ARONSON, CFA

Why do 'the markets' keep going up and up and up, but my portfolio isn't quite as exciting?

While the 2nd quarter brought some good news on a few fronts, this was not the case across the board. If you were invested only in the 'Magnificent Seven' (Apple, Microsoft, Alphabet, Amazon, Meta, Nvidia and Tesla) you were up a handsome 12.3% in the 2nd quarter.

ALL QUARTER END RESULTS TABULATED BY DIMENSIONAL FUND ADVISORS AS OF 6/30/24.

Q2 2024

" Some good news - we finally got a consistent stream of more moderate inflation reports"

These seven stocks accounted for 64% of the performance of the S&P 500 in the first half of 2024.

If you were invested in a broadly diversified portfolio, the average performance in the U.S. markets was a little over 3.2%. As you can see from the chart on the prior page, anything that has anything to do with AI in the large cap growth space is up big and the rest of the equity markets were facing the reality of a slowing economy and weaker corporate earnings.

Some good news - we finally got a consistent stream of more moderate inflation reports; enough so that it appears the current market expectation is that the Federal Reserve will begin lowering interest rates at the September meeting. The trajectory of this process is still very much data dependent. We will need to see a continuation of moderating inflation, and it appears that we are finally moving in that direction.

THE EQUITY MARKETS

Global equity markets, as measured by the MSCI All Country World Index, were up 2.38% in the 2nd quarter of 2024. The US equity markets continue to out-perform international developed equity markets.

International developed markets were down -.60% vs. the US equity markets, which were up 3.22%.

All quarter end results tabulated by Dimensional Fund Advisors as of 6/30/24

Emerging markets finally showed strength after a string of underperformance relative to developed markets; emerging markets were up 5% in the 2nd quarter. REITs struggled again in the 2nd quarter along with the broader US markets. REITs were down -.16% for the quarter.

THE FIXED INCOME MARKETS

With interest rates up slightly during the 2nd quarter the US bond market eked out a return of .07% for the quarter. The municipal bond market performed slightly worse than the taxable market, down -.02%.*

The corporate bond market outperformed the treasury market in the 2nd quarter. Intermediate corporate bonds were up .74% and the high-yield market once again had strong performance, up 1.09%. US TIPS (inflation protected securities) were up .79% for the quarter.

So, what did all this mean for investors?

Depending on the asset allocation, we would estimate a diversified portfolio was up somewhere between 0-2% in the 2nd quarter.

LOOKING AHEAD

It will come as no surprise that the topic/concern on everyone's mind is "what kind of impact will the US presidential elections have on the markets?" To that I say, "it is hard to say." 😊

If Kamala Harris wins, the markets could expect a continuation of the current economic environment. If Donald Trump wins there could be some investor enthusiasm over the expectation of tax cuts and deregulation. However, this could be tempered by concerns over his plan to impose tariffs on all imported goods as that can be inflationary to the US consumer.

We expect the markets will continue to focus on Federal Reserve action amid concerns over whether they have kept interest rates too high for too long resulting in the possibility of a recession. Right now, this is not a scenario being priced into the markets and is not what is showing up in the economic growth numbers. But, of course, the inflation and GDP numbers are lagging indicators and, while the Fed tries to thread the needle, sometimes they miss.

As we discussed earlier, there has been a lot of excitement around AI and all the potential that it brings. But so far, from our perspective, the focus from an investment opportunity standpoint has really been around the AI chipmakers and the creators of AI tools.

As we look a little farther out on the horizon, we believe the impact that AI will have at a macro level is, among other things, a deflationary force to the global economy. As companies begin to do more with fewer workers, this will translate into higher productivity which allows them to charge less, all else being equal. These are the things that we get excited about! 😊

As always, we would love to hear from you. Please contact us at any time.

-"we believe the impact that AI will have at a macro level is, among other things, a deflationary force to the global economy"