MoneyMatters
Market Update

Q3
2024

Restrained Progress

ROEHL & YI
INVESTMENT ADVISORS, LLC

Restrained Progress

The second quarter of 2024 continued to show strength, with the S&P 500 Index gaining over 4% and up an impressive 15.5% for the six months ending June 30 (Source: *Morningstar*). As was the case last quarter, a majority of the performance was led by a small group of technology stocks.

Although we're beginning to see more signs of economic growth slowing, and as many Americans now have more debt than savings, consumers continue to spend on travel. TSA traffic so far in 2024 has outpaced prior years, including 2019 through 2023 (Source: *Department of Homeland Security*).

The June 2024 jobs report, while adding 206,000 jobs, showed 34% were government-sponsored, and only 136,000 were within the private sector. An important revelation is that the unemployment rate reached 4.1%, the highest since November 2021, with 800,000 more unemployed than one year ago (Source: *Bureau of Labor Statistics*). The economy seemingly avoided a recession with a registered 1.4% GDP growth in Q1, and GDP estimates for the second quarter were revised down to 2.2% (Source: *Atlanta Fed*).

Thus far, the Federal Reserve has left interest rates unchanged, and inflation has fallen dramatically from 9.1% in 2022, cooling to 3.1% in June (Source: *Morningstar*). Though there are rumblings of a possible 0.5% interest rate cut later this year, the Fed has said it is awaiting more confidence that price pressures are easing toward its target before it begins to cut rates and loosen monetary policy. Regarding the housing market, interest rates have largely kept many Americans tethered to current homes, others with cash on hand to buy, and hopeful homeowners awaiting future opportunities.

As the November general election gains more attention since the first presidential debate in June, we can anticipate an increase in political noise and the potential for some associated market volatility.

Roehl & Yi will continue to diligently monitor potential market risks from US debt and international affairs, ensuring that investment decisions in our clients' portfolios remain well-informed.

Market Recap
Stock Market

While the S&P 500 performed well overall, there continues to be wide dispersion under the surface, with the Russell 1000 large-cap growth index up 8.33%, the Russell 1000 large-cap value index down 2.17%, and the Russell 2000 small-cap down 3.28% to close the second quarter (Source: *Morningstar*).

The table below is an overview of 2024 market performance for the quarter end, year to date, and a 2023 comparison.

**The MSCI EAFE Index is an equity index that captures large- and mid-cap representation across 21 Developed Markets and countries around the world, excluding the US and Canada.*

YTD 2024 Market Returns (June 30, 2024)

	2Q 2024	YTD 2024	FULL YEAR 2023	CURRENT YIELD	COMMENTS
EQUITIES					
US Large Stocks - S&P 500	4.28	15.29	26.29	1.40	*Onward to more records, driven by a mighty few.*
US Large Value - Russell 1000 Value	-2.17	6.62	11.46	2.19	*Value stocks were down for the quarter and have lagged so far in 2024.*
US Large Growth - Russell 1000 Growth	8.33	20.70	42.68	0.74	*Megacap tech stocks have continued to outperform.*
US Small Stocks - Russell 2000	-3.28	1.73	16.93	1.39	*Small gain and still below its 2021 high.*
Int'l Developed Stocks - MSCI EAFE	-0.42	5.34	18.24	3.02	*New highs this year for non-US developed markets.*
Emerging Markets Stocks - MSCI EM	5.00	7.49	9.83	2.77	*Still well under its 2021 high.*
FIXED INCOME					
Cash - US 3-Month Treasury Bill	1.32	2.63	5.01	5.47	*Treasury bill rates remain well above 5%.*
Core Bonds - Bloomberg US Aggregate	0.07	-0.71	5.53	5.00	*Four years of cumulative losses for the standard bond index.*
US 10-Year Treasury Bonds	-0.22	-1.80	3.80	4.48	*Treasury 10-year borrowing rate has risen from January.*
Bloomberg Municipal Bonds	-0.02	-0.40	6.40	3.59	*Municipal Bonds have slightly outperformed traditional bonds.*
Bloomberg US TIPS	0.79	0.70	3.90	5.40	*Small positive return due to embedded inflation protection.*
Bloomberg US High Yield	1.09	2.58	13.45	7.86	*Riskiest bonds still positive, so far.*
Int'l Bonds - FTSE World Gov't Bond	-1.58	-3.96	5.19	3.69	*Stronger US dollar hurts the return to foreign bonds.*
ALTERNATIVES/MISCELLANEOUS					
US Public Real Estate - DJ US Select REIT	-0.16	-0.55	13.96	4.13	*Commercial office space remains weak, other real estate ok.*
Bloomberg Commodity	2.89	5.14	-7.91		*Positive, shortage of metals & energy a long-term concern.*
Gold - LBMA Gold Price	5.26	12.15	14.59		*To new highs this year.*
Bitcoin - S&P Bitcoin	-13.99	42.69	153.69		*Crypto funds now allowed by the SEC & gaining assets.*
Consumer Price Index, 12 Mo Change	3.30	-	3.10		*Through May, keeping steady around this level.*

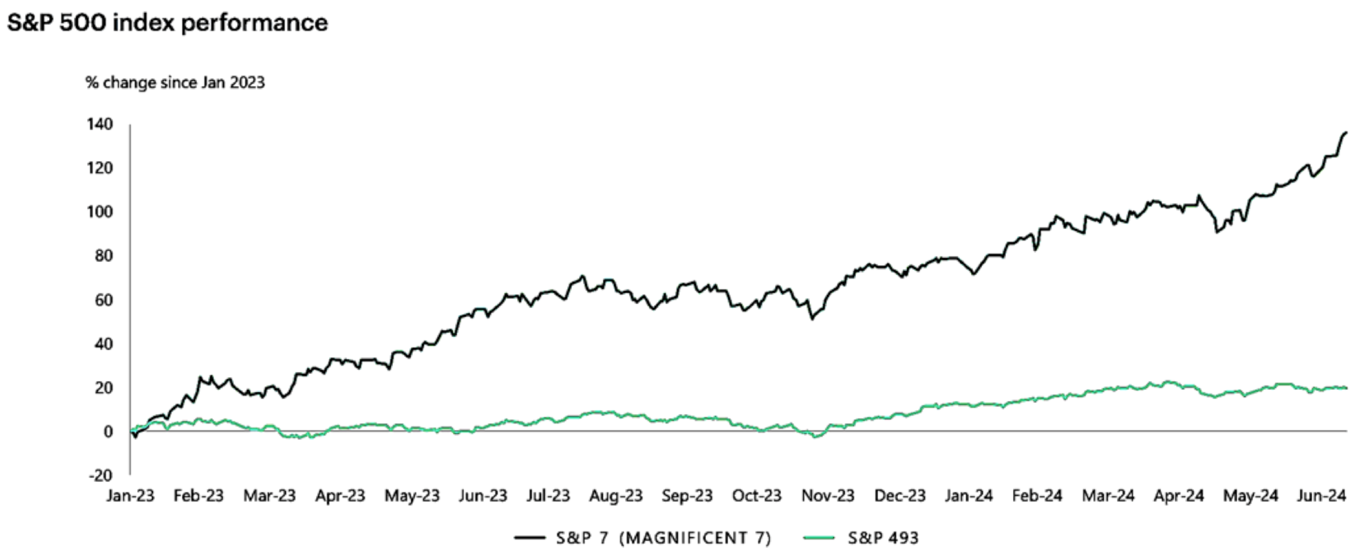
Sources: Morningstar, S&P Global, FTSE Russell, MSCI, Bloomberg. Past performance is no guarantee of future returns. Current yields are based on forward dividend yields for equities and yield to maturity for bonds.
Data as of 6/30/2024

Magnificent Seven Continue to Dominate

The S&P 500 Index remains dominated by the "Magnificent Seven" performance of the largest technology companies such as Microsoft (+19%), Google (+30%), Amazon (+27%), Facebook (+42%), and Nvidia (+149%).* These companies are performing exceedingly well and driving gains for the headline index but have, again, become expensive relative to their profits and sales (Source: *Blue River*). While positive news, we prefer a more balanced index rather than such a narrow lens.

**Year to date through June 30, 2024. "The Magnificent Seven" is an industry term, and this is not an endorsement of these seven stocks from Roehl & Yi.*

Performance of "Magnificent Seven" vs. S&P 493



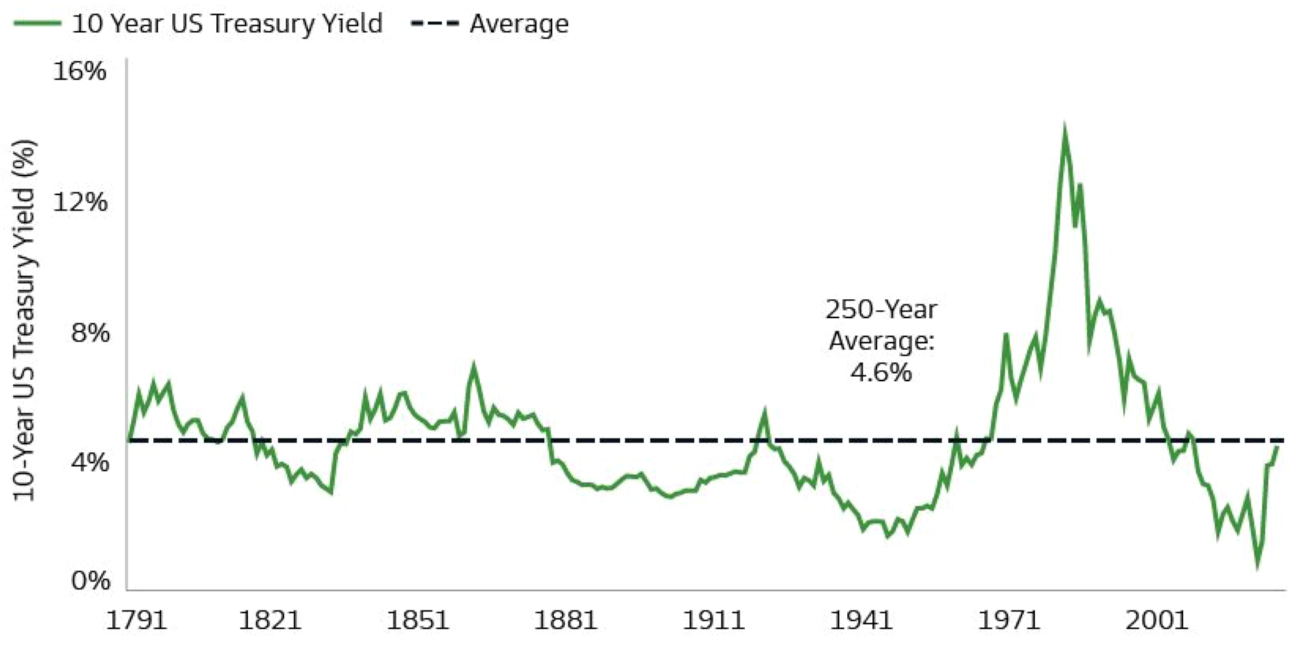
Data as of June 14, 2024
Note: The S&P 7 is the "Magnificent 7": Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla
Sources: Bloomberg, Apollo Chief Economist

Bonds Offer Appealing Opportunities for Investors

The 10-year US Treasury bond interest rates have averaged 4.6% over the last 250 years. After falling to nearly zero in 2020, the interest rate now sits at 4.20% as of July 11, 2024, which aligns with historical averages (Source: *Bank of England*).

Roehl & Yi views this as an attractive time to own bonds for two reasons. For one, higher interest rates mean higher coupon payments for bond investors, and two, the Federal Reserve is expected to cut interest rates either later in 2024 or early 2025. This creates the potential for capital gains as falling interest rates increase bond prices.

Historical Yields



Source: Bank of England, GS GIR and GS Asset Management
Data as of 12/31/2023

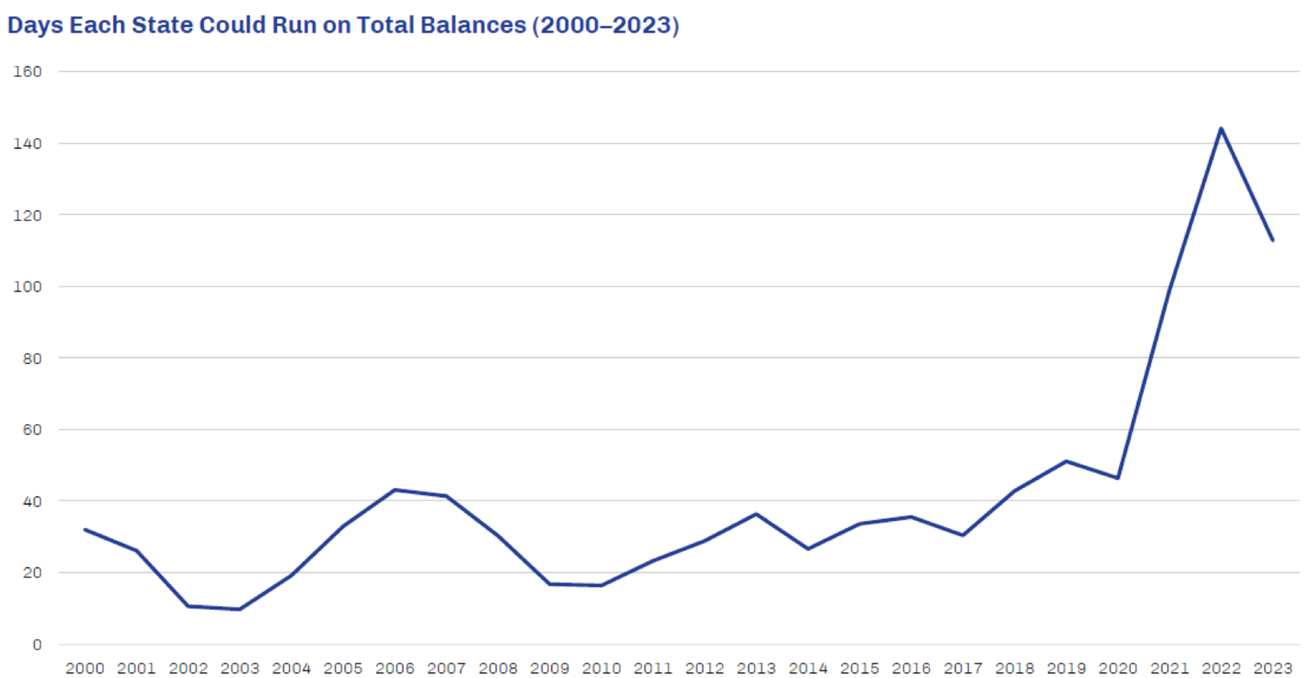
Strong State Rainy Day Funds Make Municipal Bonds Attractive

One bond sector to highlight is municipal bonds, with the caveat that municipal bonds are only appropriate in taxable accounts, and the benefit depends on the investor's tax bracket. Municipal bonds are generally exempt from federal taxes, and the interest may also be exempt from state and local taxes if you reside in the state where the bond is issued.

As of June 30, municipal bond yields were 3.59% as measured by the Bloomberg Municipal Bond Index. Municipal bond yields are among the highest that they have been since 2008, and certain sectors and maturities now offer tax-free yields of over 4% (Source: *Morningstar, Bloomberg*).

In addition to the attractive yields, credit fundamentals remain strong within municipal markets. For example, median state rainy day funds are projected to be approximately 12% of expenditures in 2024 vs. pre-COVID levels, where medians were as low as 0-1%. The chart below shows the number of days each state could run on total balances. In 2009, the average state had savings that could last fewer than 20 days. That number has steadily increased since then, with the average state now being able to cover well over 100 days of expenses (Source: *Pew Charitable Trusts*).

Municipalities Have Become Stronger Financially

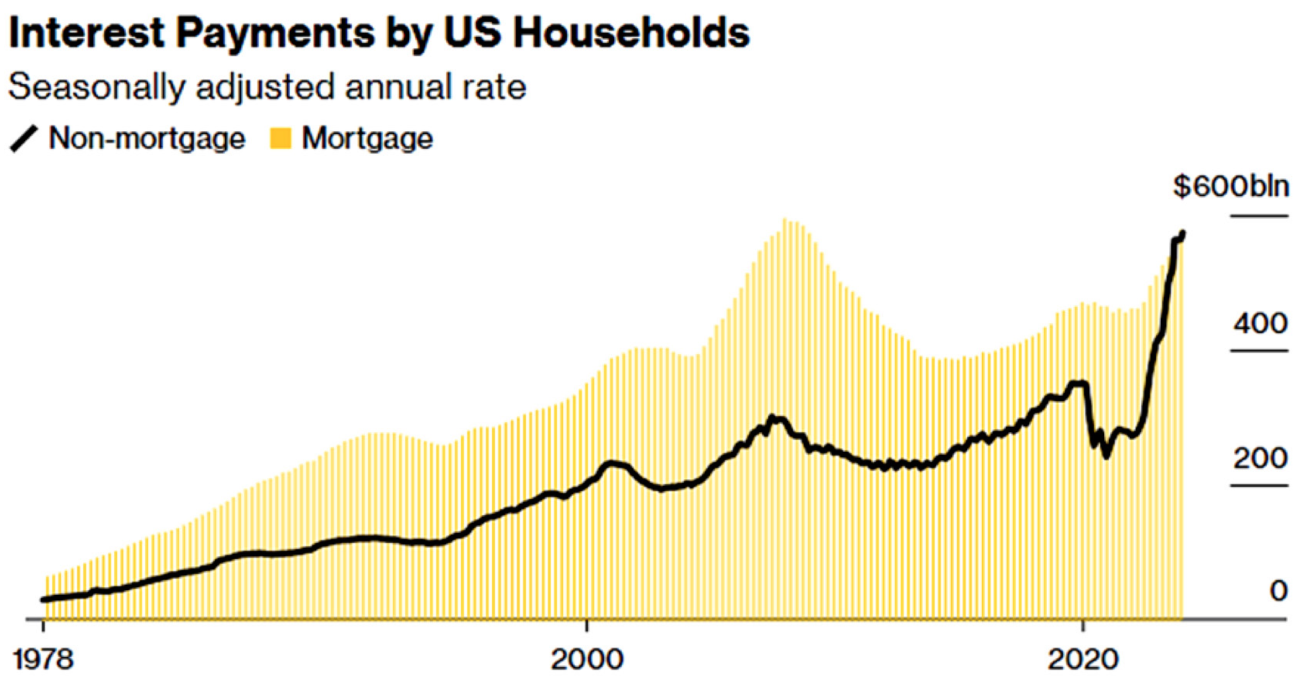


Source: Pew Charitable Trusts, Fiscal 50: State Trends and Analysis. As of December 31, 2023.

Higher Interest Rates Negatively Affect Household Spending

What is not spent from income must be paid for by borrowing. Higher interest rates are taking a more significant percentage out of household budgets, outside of mortgages. Interest rates on impacted non-mortgage loans (which have nearly tripled since 2020) include personal loans, home equity lines of credit, credit cards, and car loans (Source: *Bureau of Economic Analysis*).

Non-Mortgage Interest Payments are Rapidly Rising



Note: Non-mortgage interest payments include student loans, credit cards, car payments, personal loans, and other loans.
Source: Bureau of Economic Analysis

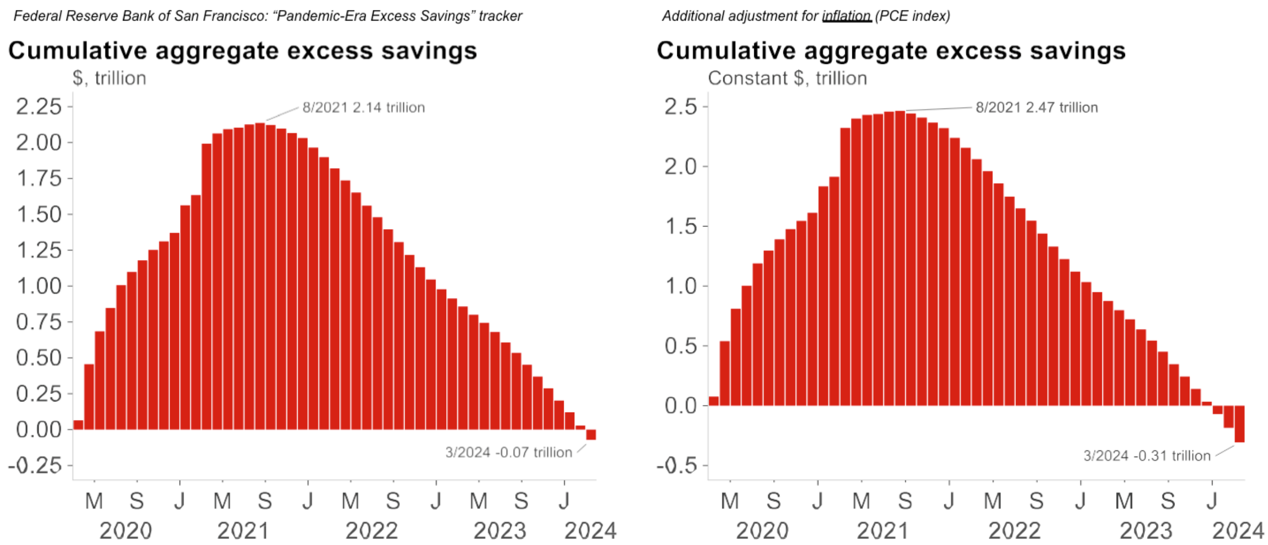
Many Americans Now Have More Debt than Savings

During the COVID-19 pandemic, we saw a rapid accumulation of excess savings, mainly due to government support for US households via stimulus checks, and a steep decline in consumer spending as a result of health-related social distancing and business closures.

As of May 2024, economists estimate that US households have entirely spent the excess savings they had accumulated. These savings peaked at $2.1 trillion in August 2021, but by March 2024, they had turned negative at $72 billion (Source: *Federal Reserve Bank of San Francisco*).

Consumer Saving Trends

The excess savings US households accumulated from 2020-21 have been fully depleted

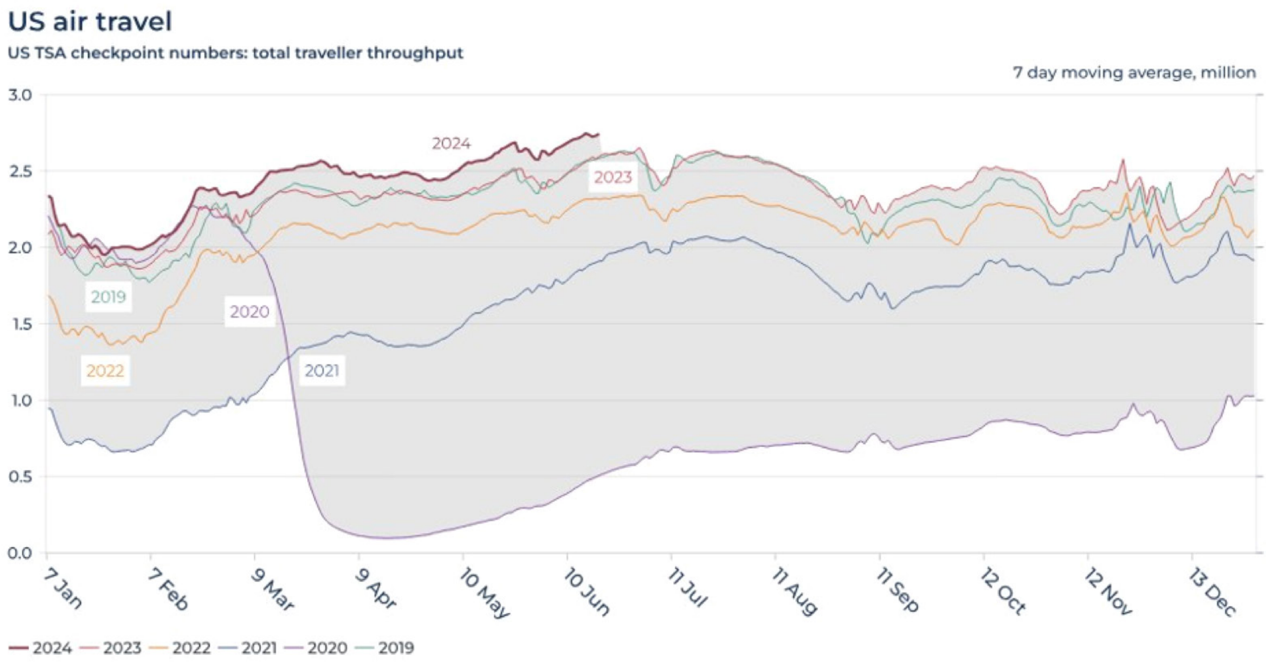


Note: Original authors' methodology uses linear trend from March 2016-February 2020 as a baseline.
Source: Abdelrahman, Oliveira, Federal Reserve Bank of San Francisco; BEA, from Macrobond; Bain Macro Trends Group analysis, May 7, 2024

US Air Travel Demand Is Breaking Records

While data suggests consumers may be burdened financially, Americans are flying. So far in 2024, the TSA has seen more US travelers than in pre-pandemic 2019, pandemic-year 2020, 2021, 2022, and 2023 (Source: *Department of Homeland Security*).

Growth in US Air Travel



Source: DHS. Data last updated on: 20 June 2024 13:10

Roehl & Yi's Final Thoughts

We are now seeing clear economic challenges upon us. The consumer, who traditionally powers economic growth, remains under several areas of stress.

Consider these three suggestions:

1. Be mindful that the number one job of your portfolio is to manage risk.
2. Seek out stocks that can offer long-term value.
3. Maintain healthy cash reserves, avoid speculation, and be willing to capitalize on forthcoming opportunities.

The Roehl & Yi Promise

Roehl & Yi is committed to delivering value through enhanced client engagement, new educational videos, resource-filled emails, and more.

As always, we are grateful for your continued trust in Roehl & Yi. Please call us first with any questions or concerns about your investments or other financial matters. May you and your family experience happiness and good health.

ROEHL & YI
INVESTMENT ADVISORS, LLC

For A Personal Wealth of Reasons

450 Country Club Rd., Suite 200, Eugene, OR 97401
Tel: 541.683.2085 • Toll Free: 888.683.4343
www.Roehl-Yi.com

Subscribe for News & Market Updates
INFO@ROEHL-YI.COM