COMMENTARY
Q2 2024

Welcome to the job creating (so far) economic slowdown of 2024 where jobs are being created at a 250,000 per month clip and the U.S. gross domestic product is growing at 1.6%, down from 3.2%. Most recently added jobs are in health care, professional and business services, and construction. However, recent purchasing managers and manufacturing indices indicate further slowing of the economy partially offset by an improvement in the service economy.

Welcome to the U.S. experience of a negatively sloped, or downward sloping yield curve where shorter-term interest rates have been higher than longer term interest rates since mid-2022 – a new record- without an accompanying recession. Softness in economic data and slowing inflation has caused interest rates to trend lower recently along the yield curve.

Welcome to a time when Europe is cutting interest rates to 3.75% from 4%. The first interest rate cut in five years, and ahead of the U.S. It is true. The European Central Bank started raising interest rates a few months after the Federal Reserve, but inflation has fallen to 2.6%. Europe is in the process of economic stimulation while the U.S.' June Federal Reserve meeting concluded with no changes to the federal funds rate – the benchmark remains at 5.25-5.5%. The Federal Reserve also continues to take cash out of our economy by selling government securities from their bloated balance sheet.

Welcome to a rapidly shifting behavioral attitude toward financial markets. Fear of missing out (FOMO) and fear of getting killed (FOGK) have moved back and forth in warp speed. Today's markets seem to be rising within a wall of worry – that is a positive phenomenon. However, after a first quarter broad-based stock rally, the second quarter was much more narrowly focused on a few leading technology stocks. The strength of technology stocks has pushed the price/earnings ratio of the S&P500 index to levels 20-25% above historical norms, however when discounting this overweighted sector within the index, pricing levels of stocks are within historical norms. But what does history have to do with the stunning level of corporate earnings especially among the trillion-dollar behemoths that are dominating the news? In addition, according to FactSet, 78% of S&P 500 companies have exceeded earnings per share estimates. These companies have found ways to offset rising costs and grow earnings.

Welcome (finally) to our elegantly designed new website containing 15 podcasts covering many topics – some of them really interesting I am told. Topics include taxes, the Federal Reserve, the velocity of money, family businesses, decision making – entropy and inversion concepts, artificial intelligence, stock concentration, regular updates of the market and real economy, interest rate discussions, bubble or bull market considerations, digital assets, and Groucho Marx and his relationship with money.