The equity market rally continued in July with an increase of +1.2%, bringing the year-to-date return to +16.7%. The market has increased in six of the seven months this year. The market rotated in July with the year-to-date laggards becoming leaders and vice versa. We called out narrow leadership in our Second Quarter 2024 Market Review and Outlook and stated that we prefer to construct diversified portfolios rather than ride the roller coaster of an "all eggs in one basket" approach. While diversification paid off throughout the month, we are waiting for earnings to confirm whether this rotation has legs or if the narrow leadership will resume. *There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.*

- **New All-Time High:** The S&P crossed above 5,600 for the first time ever during the month and hit a new all-time closing high of 5,667 on July 16th.
- **Rotation in July:**
  - **Magnificent 7 (mostly) Takes a Breather:** Seven of the largest stocks in the world have received a lot of attention over the past several quarters for driving the bulk of the market's returns. These stocks mostly pulled back in July with five of seven generating negative results: Microsoft (-6.4%), Meta (-5.8%), Alphabet (-5.6%), Nvidia (-5.3%), Amazon (-3.2%), Apple (+5.4%), and Tesla (+17.3%). Earnings and comments on Artificial Intelligence (AI) spending levels will be critical for these stocks to continue their dominance.
  - **Style:** Value (Russell 1000 Value: +5.1%) exceeded Growth (Russell 1000 Growth: -1.7%). The Magnificent 7 stocks are all components of the Russell 1000 Growth Index.
  - **Market Cap:** Small (Russell 2000: +10.2%) and Mid Caps (S&P 400: +5.8%) outperformed Large (S&P 500: +1.2%).
  - **Sector:** The rotation was especially noticeable within sectors as nine of eleven were positive in the month. The best returning sector was Real Estate (+7.2%), which is still the worst performer year-to-date. The laggards in the month were Technology (-2.1%) and Communication Services (-4.0%), which are still the top performing sectors in 2024, despite the monthly pullback.
- **Upcoming Catalysts:** Apple Earnings (8/1), Amazon Earnings (8/1), BLS Employment Report (8/2), CPI Inflation (8/14), Retail Sales (8/15), Federal Reserve Jackson Hole Conference (8/22 – 8/24), Nvidia Earnings (8/28), PCE Inflation (8/30).

Short-Term Outlook: Our short-term outlook has been cautious since the market began to run toward all-time highs late last year. For the stock market to maintain its positive momentum, we will need economic, inflation, and earnings data to continue exceeding already high expectations. Thus far, economic data has largely been fine but is starting to cool. Inflation is moderating. Earnings have been strong, especially from AI related companies. Right now, we see the biggest risks to the market as anything that challenges the earnings growth of the AI leaders, especially Nvidia. Moving forward, we know that market declines are common, and we believe that a pause or pullback to shake out some of the excesses built up over the past several months would be healthy for long-term performance. Over short periods, we often turn cautious when the market gets greedy and extended, and positive when the market declines and investors begin to panic. *No strategy assures success or protects against loss.*

Long-term Investment Philosophy: Although our short-term outlook changes based on current conditions, our long-term outlook remains optimistic for investors with both a comprehensive financial plan and investment process. Markets have historically increased over time despite frequent drawdowns as successful corporations have been able to figure out ways to generate profits through advances in innovation and productivity. To capitalize on the power of compounding, we believe in the benefits of staying **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses.

- **Disciplined:** consistently applying our investment process and philosophy, which are grounded in a long-term approach.
- **Opportunistic:** rebalancing, repositioning, and tax-loss harvesting to take advantage of market volatility and dislocations.
- **Diversified:** seeking to ensure that portfolios are properly allocated across and among asset classes to enhance consistency.
- **Mitigate:** striving to avoid unnecessary disbursements, including fees, taxes, and expenses.

In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

All data sourced from Bloomberg as of 7/31/2024

Fixed Income Markets

Interest Rates

Yields pulled back during the month due to a moderation in several inflation and economic growth indicators, and an expectation that the Fed will begin to lower the Federal Funds rate in September. The 2-Year Treasury yield (4.26%) declined by nearly 50 basis points (bps) and the 10-Year (4.03%) fell by over 35bps. The decrease in yields created a tailwind for the fixed income markets as bond prices move inversely to interest rates and credit spreads.

Short-term Bonds

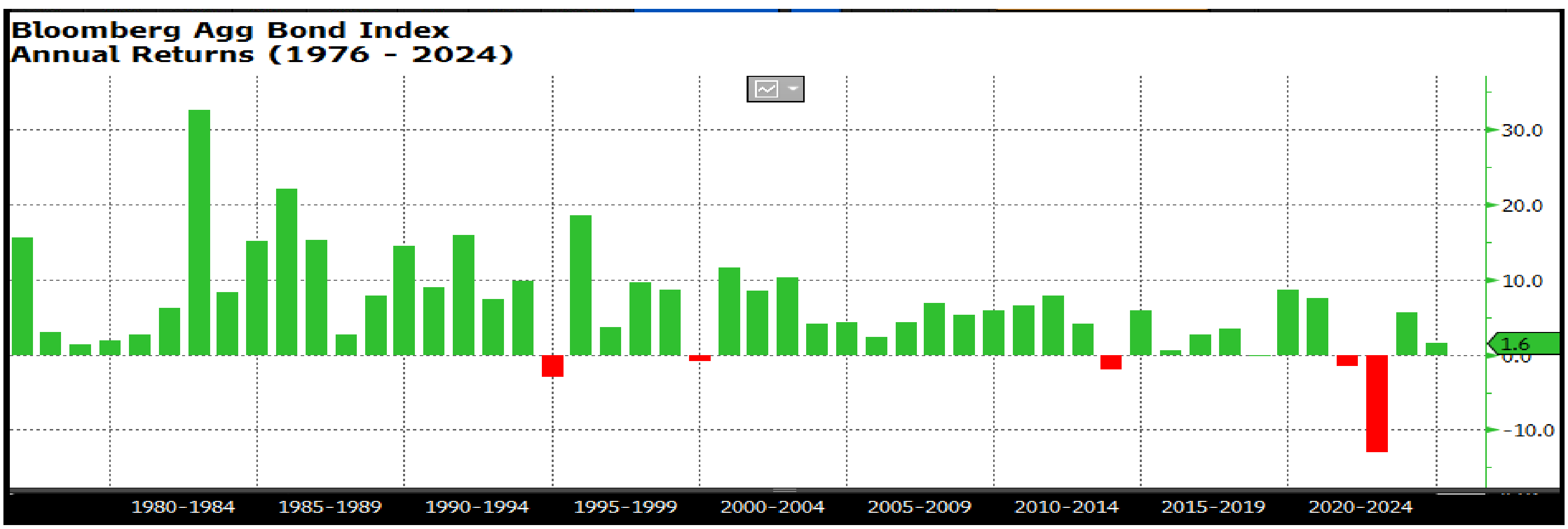
Short-term bonds have closer maturities and are consequently less interest rate sensitive than intermediate- or long-term fixed income securities. Pursuing stability and income from short-term bonds, including Treasuries, has been a successful strategy as yields remain elevated for now. Short-term Treasury yields, including, the 3-Month (5.3%), 6-Month (5.1%), and 12-Month (4.7%) are still at their highest levels since the early 2000s. Once the Fed starts cutting the Federal Funds rate, short-term Treasury yields should also decline. We don't expect +5% short-term yields to be around for much longer, thus we are opportunistically enjoying them while they last. If interested, please speak with your advisor about our Cash Alternatives Strategy, which is an investment strategy designed to invest excess cash in a conservative portfolio of short-term fixed income securities. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Investing involves risk including loss of principal. This strategy and its related holdings are not FDIC-insured.*

Intermediate-Term Bonds

The Bloomberg US Aggregate Bond index (Agg), which acts as a proxy for the intermediate-term investment-grade bond market, increased by +2.3% as the 10-Year Treasury yield declined (bond prices move inversely to interest rates and credit spreads). The year-to-date return of the Agg is now +1.6%.

We hold intermediate-term fixed income in diversified portfolios to pursue ballast and income. The last few years have been frustrating for intermediate-term fixed income investors as bonds produced negative returns in 2021 and 2022. We continue to recommend a patient approach, as all else equal, we expect intermediate-term bonds to provide both ballast and positive returns in the future if yields either stabilize or decline. We will highlight that the bond market's performance since late last year is a great example of what happens when yields fall. From October 20th through the end of July, the 10-Year yield fell by nearly 1% while the Agg increased by +11.0%.

Intermediate-term bonds are still an attractive investment opportunity in our opinion as the yield to maturity on the US Aggregate Bond index ended the month at 4.6%. Yield to maturity is defined as the estimated annualized rate of return an investor can expect on a bond if purchased today and held to maturity, assuming the issuer makes all their interest and principal payments (i.e., no defaults). In our view, patient investors should be optimistic about intermediate-term fixed income returns over the next several years. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*



Source: Bloomberg.

Monetary Policy

The broad sense of the committee is that the economy is moving closer to the point at which it will be appropriate to reduce our policy rate. A reduction in the policy rate could be on the table as soon as the next meeting in September.

- Fed Chair Jerome Powell

At their July 31st meeting, the Federal Open Market Committee (FOMC) left the top end of the Federal Funds rate unchanged at 5.50% for the eighth consecutive time. After raising interest rates by 5.25% total, the Fed has been on hold since July 2023.

The key update in the meeting is that the Fed is thinking about lowering interest rates in September. Since early 2022, the Fed has been solely focused on bringing inflation back down toward their 2% target. Over that period, the committee hasn't worried much about economic growth or the labor market. Now that we've seen evidence that the economy is cooling, the Fed is back to balancing the risks of their dual mandate, maximum employment and stable prices.

According to Bloomberg, market pricing indicates an expectation that the Fed will lower interest rates by about 75 basis points in 2024. This would equate to a 0.25% reduction at each of the September, November, and December meetings. Market pricing can be quite volatile. Right now, we expect about 50 basis points of rate cuts in 2024.

The September 18th FOMC meeting is shaping up to be one the most critical events of the year. This will likely be the first FOMC rate cut since March 2020. The Fed will also release an updated Summary of Economic Projections (SEP) where each committee member individually and anonymously forecasts their outlook for Real GDP, Unemployment Rate, Core PCE Inflation, and the Federal Funds Rate. The updated SEP will provide great insight into how the committee expects monetary policy and the economy to evolve over the next few years.

Our view in 2024 was that the equity market did not need rate cuts as long as earnings were strong, the economy held up, and inflation continued to moderate. This proved to be true. The S&P 500 is up +16.7% year-to-date and +22.5% over the last year while the Federal Funds rate has remained at 5.5%. Investors who are pushing for aggressive rate cuts should be careful what they wish for. If the Fed starts lowering interest rates substantially, it will likely be because the labor market and economy have hit a wall – this is not a good recipe for financial markets.

Please see our Client Question on The Fed, which details the impact monetary policy has on the economy, interest rates, and stock prices.

US Economy

The US Economy continues to grow at a solid pace, supported by a strong labor market and consumer spending. We have seen a slowdown in recent data, but it is too early to say that cracks are forming. Here are a few indicators we are monitoring to assess the health of the US economy.

- **2024 Real GDP Growth Estimate:** +2.3% - up from a projected +1.2% at the start of the year.
- **Job Gains:** nonfarm payrolls increased by +206,000 in June. Although the most recent monthly job gains were solid, they were below the 1-Year average of +221,000. *Source: Bureau of Labor Statistics.*
- **Unemployment Rate:** 4.1% in June. The unemployment rate has slowly ticked higher since reaching a 50-year low of 3.4% in January 2023. *Source: Bureau of Labor Statistics.*
- **Retail Sales:** +2.3% year-over-year in June. Consumer spending data is critical as consumption drives about 70% of GDP. *Source: US Census Bureau.*
- **Core PCE Inflation:** 2.6% year-over-year in June. This is the Fed's preferred inflation measure, which they target at an average of 2%. *Source: Bureau of Economic Analysis.*

The economy is in good shape for now. At some point things will slow down and there will be a recession. However, if a recession occurs in 2024 it will likely be due to some kind of external shock or unforeseen event.

JULY 2024 MARKET RETURNS

US Equity												
Index	**July**	**2024**	**2023**	**2022**	**2021**	**2020**		**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	1.22%	16.69%	26.26%	-18.13%	28.68%	18.39%		22.46%	9.57%	15.17%	13.12%	10.53%
Russell 3000	1.86%	15.67%	25.93%	-19.22%	25.64%	20.88%		21.41%	8.08%	14.42%	12.56%	10.47%
Dow Jones Industrial Average	4.51%	9.52%	16.18%	-6.86%	20.95%	9.72%		16.99%	7.51%	11.28%	11.94%	9.84%
Nasdaq	-0.73%	17.71%	44.70%	-32.51%	22.21%	45.05%		24.21%	7.12%	17.76%	16.14%	13.04%
S&P 400	5.81%	12.31%	16.39%	-13.10%	24.73%	13.65%		15.65%	6.28%	11.60%	10.20%	10.37%
Russell 2000	10.16%	12.06%	16.88%	-20.46%	14.78%	19.93%		14.74%	1.82%	9.20%	8.69%	8.72%
Russell 1000 Growth	-1.70%	18.65%	42.67%	-29.14%	27.59%	38.49%		27.24%	9.45%	18.52%	16.29%	12.41%
Russell 1000 Value	5.11%	12.07%	11.41%	-7.56%	25.12%	2.78%		15.15%	6.97%	10.18%	8.93%	8.45%

International Equity												
MSCI Index	**July**	**2024**	**2023**	**2022**	**2021**	**2020**		**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	2.93%	8.43%	18.24%	-14.45%	11.26%	7.82%		12.33%	3.63%	7.38%	4.84%	5.95%
Europe	1.39%	6.56%	22.94%	-17.86%	13.54%	7.89%		9.60%	2.58%	7.42%	4.79%	5.55%
Japan	5.80%	12.43%	20.32%	-16.65%	1.71%	14.48%		16.40%	4.67%	7.67%	6.07%	5.00%
China	-1.33%	3.35%	-11.20%	-21.93%	-21.72%	29.49%		-11.75%	-13.84%	-4.18%	0.47%	7.22%
Emerging Markets	0.30%	7.81%	9.83%	-20.09%	-2.54%	18.31%		6.64%	-2.74%	3.66%	2.62%	7.38%
ACWI ex US	2.32%	8.14%	15.62%	-16.00%	7.82%	10.65%		10.68%	1.79%	6.39%	4.18%	6.05%

US Fixed Income												
Bloomberg Index	**July**	**2024**	**2023**	**2022**	**2021**	**2020**		**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	2.34%	1.61%	5.53%	-13.01%	-1.54%	7.51%		5.70%	-2.63%	0.06%	1.60%	3.19%
Treasury Bills	0.45%	3.14%	5.14%	1.52%	0.04%	0.54%		5.49%	3.26%	2.22%	1.54%	1.54%
Corporates	2.38%	1.89%	8.52%	-15.76%	-1.04%	9.89%		7.48%	-2.71%	0.84%	2.58%	4.18%
Securitized MBS/ABS/CMBS	2.58%	1.77%	5.08%	-11.67%	-1.04%	4.18%		5.74%	-2.19%	-0.28%	1.28%	
High Yield	1.94%	4.58%	13.45%	-11.19%	5.28%	7.11%		11.37%	2.17%	4.22%	4.65%	6.68%
Munis	0.91%	0.50%	6.40%	-8.53%	1.52%	5.21%		4.05%	-0.86%	1.13%	2.47%	3.65%

US Equity Sectors												
Index	**July**	**2024**	**2023**	**2022**	**2021**	**2020**		**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	-2.09%	25.57%	57.84%	-28.19%	34.52%	43.88%		35.08%	17.44%	25.92%	22.31%	15.50%
Real Estate	7.22%	4.59%	12.35%	-26.13%	46.20%	-2.17%		11.96%	-0.54%	5.46%	6.95%	
Industrials	4.90%	13.03%	18.08%	-5.51%	21.10%	11.05%		17.34%	9.14%	12.85%	11.35%	9.65%
Energy	2.11%	13.27%	-1.42%	65.43%	54.39%	-33.68%		10.60%	28.74%	14.26%	3.81%	8.18%
Consumer Discretionary	1.66%	7.41%	42.30%	-37.03%	24.43%	33.30%		13.52%	2.62%	10.96%	12.55%	11.12%
Communication Services	-4.01%	21.60%	55.80%	-39.89%	21.57%	23.61%		30.38%	3.76%	13.13%	9.08%	8.61%
Consumer Staples	1.93%	11.08%	0.52%	-0.62%	18.63%	10.75%		8.48%	6.91%	9.43%	9.48%	9.76%
Utilities	6.78%	16.86%	-7.08%	1.56%	17.67%	0.52%		13.79%	6.70%	7.36%	9.51%	9.63%
Materials	4.39%	8.61%	12.55%	-12.28%	27.28%	20.73%		10.20%	5.31%	12.05%	8.80%	8.92%
Financials	6.46%	17.28%	12.10%	-10.57%	34.87%	-1.76%		26.08%	8.23%	11.88%	11.38%	5.56%
Health Care	2.65%	10.67%	2.06%	-1.95%	26.13%	13.45%		14.07%	5.98%	12.43%	11.34%	10.58%
	Calendar Year Returns							**Annualized Returns**				

Source: Bloomberg

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies pro- moted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 com- panies with lower price-to-book ratios and lower forecasted growth values.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI US Broad Market Index captures broad US equity coverage. The index includes 3,204 constituents across large, mid, small and micro capitalizations, representing about 99% of the US equity universe.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

DISCLOSURES

The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated invest- ment grade, and have $300 million or more of outstanding face value.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor’s yield may differ from the advertised yield.

Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.

Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.
Securities offered through LPL Financial, Member FINRA/SIPC. Investment Advice offered through Winthrop Wealth, a Registered Investment Advisor and separate entity from LPL Financial.