Asset Class Returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q2
Sm Cap 38.8%	REIT 28.0%	REIT 2.83%	HY Bond 17.49%	EM 37.28%	Cash 1.82%	Lg Cap 31.49%	Wil 5000 20.82%	REIT 41.30%	Cash 1.52%	Lg Cap 26.29%	Lg Cap 15.29%
Wil 5000 33.1%	Lg Cap 13.7%	Lg Cap 1.38%	EM 16.02%	Int'l Stk 25.03%	HG Bond 0.01%	Wil 5000 31.02%	Sm Cap 19.96%	Lg Cap 28.71%	HY Bond -11.22%	Wil 5000 26.14%	Wil 5000 13.58%
Lg Cap 32.4%	Wil 5000 12.7%	Wil 5000 0.7%	Wil 5000 13.37%	Lg Cap 21.83%	HY Bond -2.26%	REIT 28.66%	Lg Cap 18.40%	Wil 5000 26.70%	HG Bond -13.01%	Int'l Stk 18.24%	EM 7.49%
Int'l Stk 23.3%	HG Bond 6.0%	HG Bond 0.55%	Lg Cap 11.96%	Wil 5000 20.99%	REIT -4.04%	Sm Cap 25.52%	EM 18.31%	Sm Cap 14.82%	Int'l Stk -14.45%	Sm Cap 16.93%	Int'l Stk 5.34%
HY Bond 7.4%	Sm Cap 4.9%	Cash 0.1%	Sm Cap 11.32%	Sm Cap 14.65%	Lg Cap -4.38%	Int'l Stk 22.01%	Int'l Stk 7.82%	Int'l Stk 11.26%	Lg Cap -18.11%	HY Bond 13.46%	Cash 2.68%
REIT 2.9%	HY Bond 2.5%	Int'l Stk -0.8%	REIT 8.63%	REIT 8.67%	Wil 5000 -5.27%	EM 18.42%	HG Bond 7.51%	HY Bond 5.36%	Wil 5000 -19.04%	REIT 11.36%	HY Bond 2.62%
Cash 0.1%	Cash 0.0%	Sm Cap -4.4%	HG Bond 2.65%	HY Bond 7.48%	Sm Cap -11.01%	HY Bond 14.41	HY Bond 6.17%	Cash 0.04%	EM -20.09%	EM 9.83%	Sm Cap 1.73%
HG Bond -2.0%	EM -1.8%	HY Bond -4.6%	Int'l Stk 1.00%	HG Bond 3.54%	Int'l Stk -13.79%	HG Bond 8.72%	Cash 0.54%	HG Bond -1.54%	Sm Cap -20.44%	HG Bond 5.53%	HG Bond -0.71%
EM -2.3%	Int'l Stk -4.5%	EM -14.9%	Cash 0.33%	Cash 0.82%	EM -14.58%	Cash 2.21%	REIT -5.12%	EM -2.54%	REIT -24.95%	Cash 5.14%	REIT -2.19%

What to Watch for in the Quarter Ahead

None of us will know what is going to happen in the third quarter, we do expect there to be more moving parts than the second quarter. The second quarter was dominated by strong earnings from the Magnificent Seven which carried the market forward. We would caution everyone not to get caught up in the euphoria and remember these things do not last forever.

The third quarter could be headlined by three potential market movers.

1. The continuation of investment in AI lead to solid performance from the magnificent seven.
2. Inflation continued to fall leading the Federal Reserve to take action and cut interest rates.
3. Finally, we are heading into a fairly contentious election cycle to say the least in which anything can happen.

While all of these potential storylines have the ability to move the market in one direction or another, we know the movement is going to be a short-term reaction. Take the long view and tune out the noise for what could be a busy quarter.

Equities

- The magnificent seven companies (Apple, Amazon, Alphabet, Microsoft, Tesla, Nvidia, and Meta) have grown their earnings by more than 50% year over year compared to 3% earnings growth for the other 493 companies in the S&P 500. Look for the remaining S&P 493 companies to increase their earnings growth as the magnificent seven starts to decelerate.

- European stocks are attractively valued relative to U.S. stocks. Near-term political drama may hold stocks back, so look for stocks to catch up to their earning expectation as the political season subsides.

- Chinese equities could be on the rise as companies have announced more stock buybacks, which should lead to more meaningful earnings per share. Relative to other emerging markets, Chinese equities continue to look cheap.

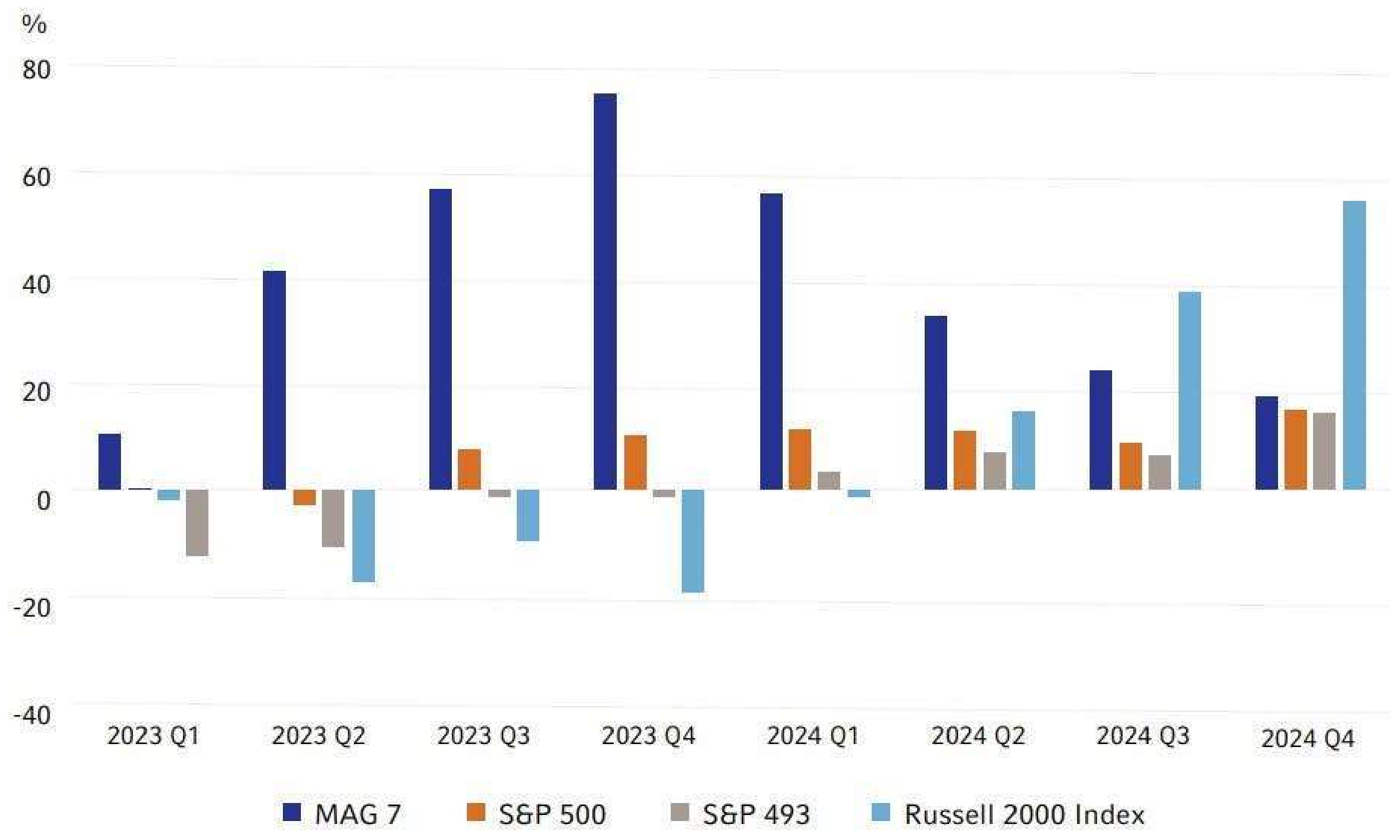
Bonds

- Treasury yields remain volatile as the Federal Reserve has remained steadfast in its pursuit to lower inflation. Inflation remaining sticky has led the Fed to keep rates higher. Their preference to remain non-partisan with an upcoming election season has left them with little time to make any material changes.

- European economies continue to improve and inflation is tracking toward an acceptable level. This has led the European Central Bank to make a 25 basis point interest rate cut with further cuts expected over the next year.

- Japanese government bonds are currently looking unattractive and may continue to get worse. Rising inflation may lead the Bank of Japan to additional interest rate increases.

Earning-per-share (EPS) Growth Rate for Publicly Listed U.S. Companies



Source: LSEG I/B/E/S Estimates, as of June 2024. The "magnificent seven" (Mag 7) represents seven technology stocks that drove a substantial portion of the market's returns in 2023 and 2024. The list includes Apple, Microsoft, Amazon, Alphabet (Google), Tesla, Nvidia and Meta Platforms. The "S&P 493" is used here to represent the U.S. large-cap S&P 500® minus the seven "magnificent seven" stocks.

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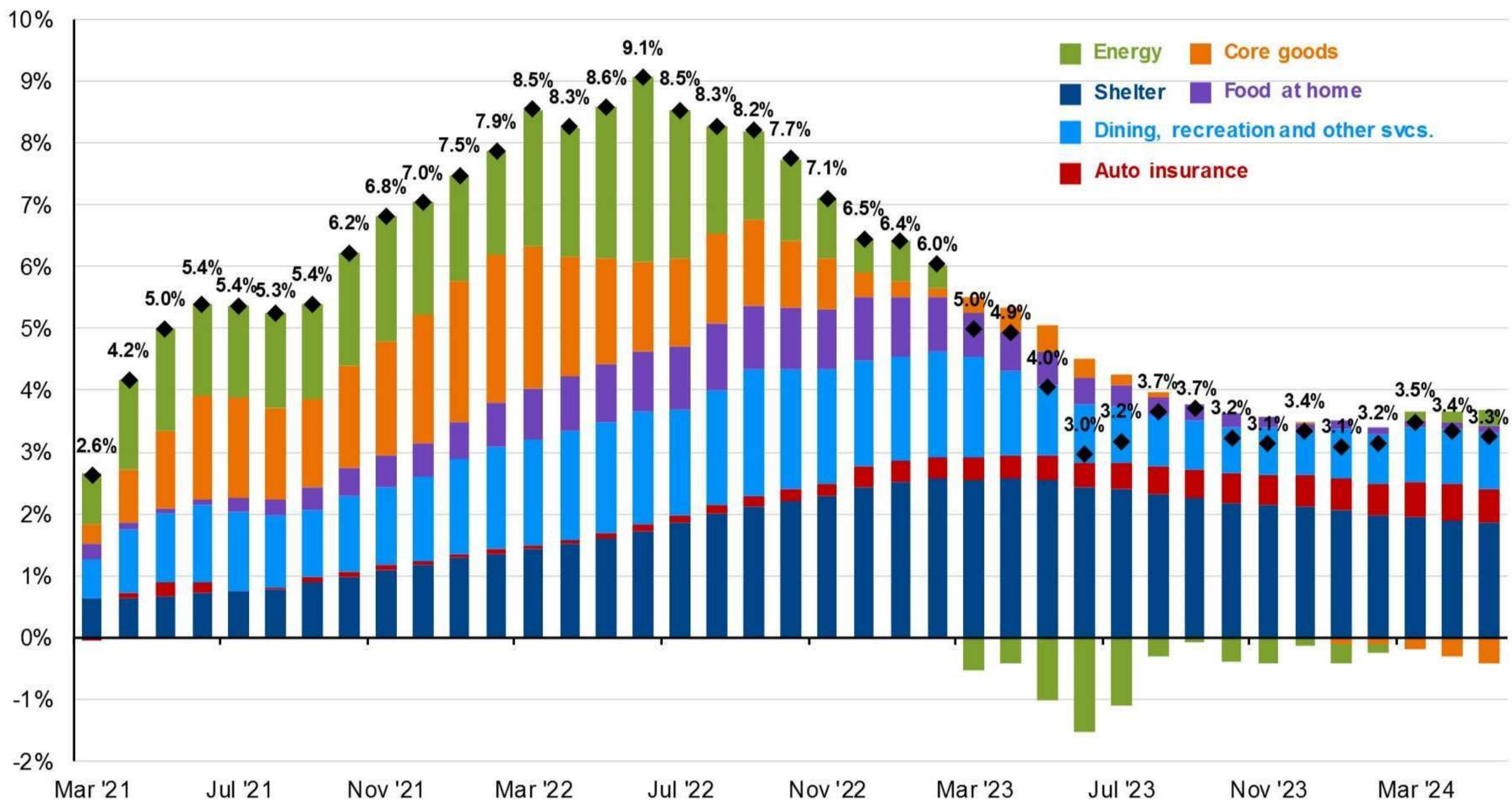
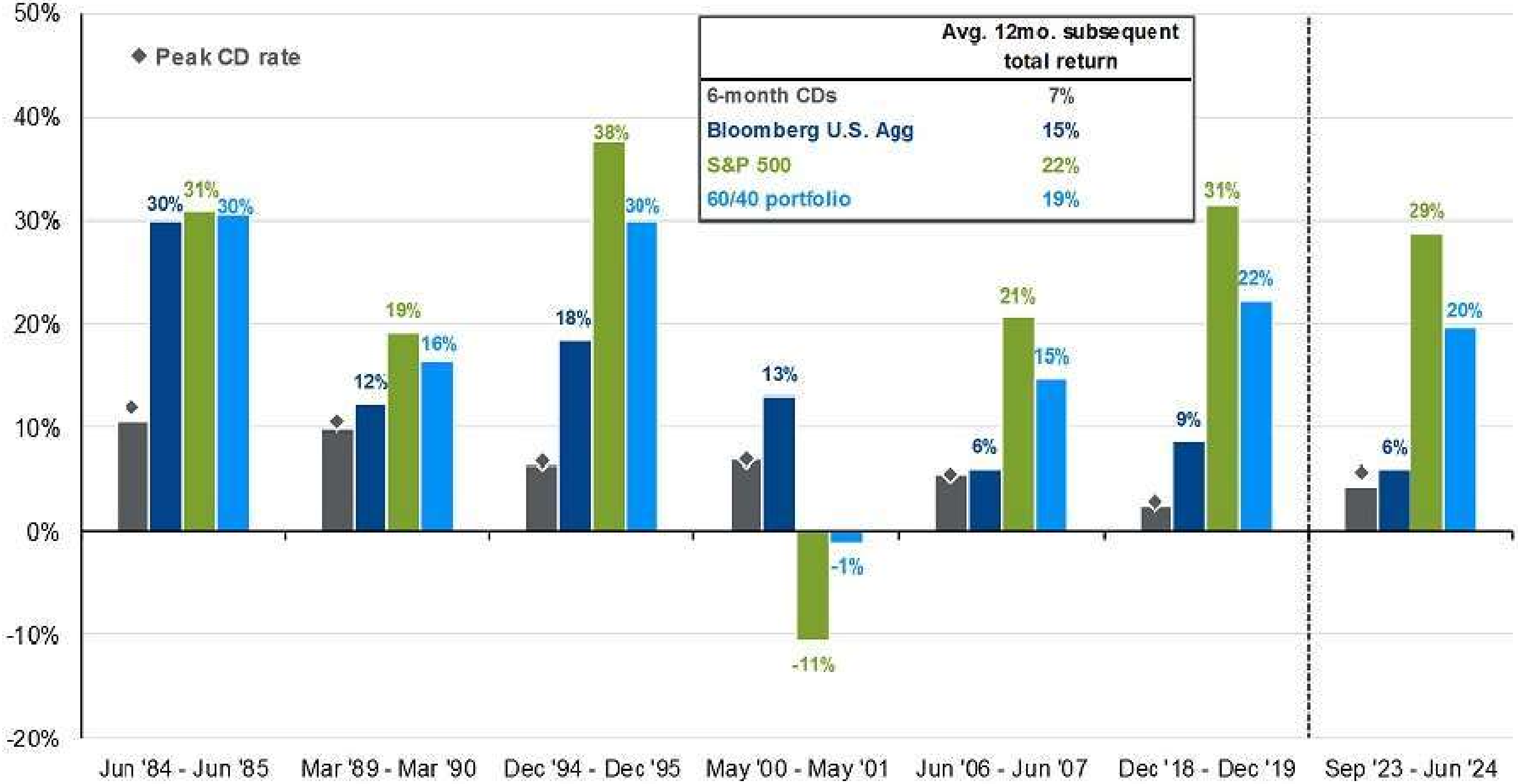
The magnificent seven stocks have had historic earnings growth rate outpacing the rest of the market. But as we know this does not last forever and the rest of the market is closing the gap on the growth rate.

Inflation Components Contributing to CPI



Source: BLS, FactSet, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of June 30, 2024.

CD’s vs. Equities and Bonds After a Rate Hiking Cycle



Source: Morningstar, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of June 30, 2024.

CDs have made a comeback, with interest rates spiking over the last two years. But still proves to be a great short-term holding. Long-term returns have lagged behind the S&P 500 and U.S. Aggregate bond indexes.