Marketline June 2024

Stocks:

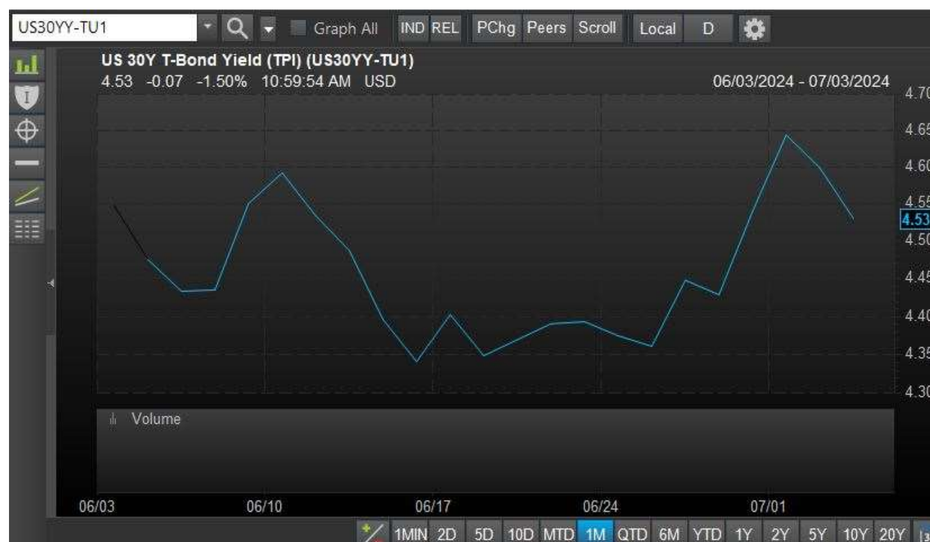
The bifurcation in the markets is old hat for the most part: technology stocks have performed better than any other sector – by a substantial amount – going back to at least 2009. The next best sector – consumer discretionary stocks – is a distant second, and things worsen from there. As notable as this is, the first half of this year has drawn an even finer point on this phenomenon: Nvidia, the chip company, has accounted for 30% of the market's return so far this year. If you also didn't own significant positions in Meta (Facebook), Alphabet (Google), Microsoft, and Amazon, you missed more than 50% of the market's return. A vast majority of stocks have shown no return over the last five years.

With that backdrop, let's review the month. The Dow rose a scant 1%, while the S&P was up 3.5%. The NASDAQ, with more than 50% of holdings in the tech sector, surged 6%. These numbers make June a perfect example of the narrowness of the stock market. Overseas, returns were negative. Canada's market sank 1.7%, Mexico's Bolsa was chopped 4.9% as investors broadcast a negative opinion of recent political changes, and the European market was down 1.3%.

What will the rest of the year bring? In a triumph of the "glass half full" viewpoint, recently rising jobless claims fed the notion that job weakness could cause the Federal Reserve to cut rates, propelling stocks to a new high as we close out the last trading day before the Fourth of July holiday. Short of a genuine recession, it's possible that the first Fed cuts -whenever they arrive – will fuel stocks further. For now, all we seem to need to generate positive stock returns is a couple of strong technology stocks and the future promise of a cut in interest rates.

Bonds:

For a second month, interest rates meandered down throughout the curve. The one-year note declined from 5.18% to 5.11%, while the ten-year sank by 10 basis points to 4.4%. The long bond ended at 4.56%. Though those numbers seem sedate relative to May's closing numbers, the market was relatively volatile over the last week. Catching the right moment to make a sale or purchase was tricky as this chart of the thirty-year yield illustrates.



We continue to prefer investment-grade corporate issues over most other bonds, though at moments during June, we found municipal issues that met our yield criteria for purchase. We also continue to hold substantial cash in Treasury bills, though those balances have gradually diminished as we've found more permanent investments.

Looking forward, we expect to maintain our interest in corporates over other segments of the market.

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