DeMarche

PERSPECTIVES AND POSITIONS

By James Dykstal, CFA, Portfolio Manager, August 2024

This is a summary of our views on the economy and markets based on data through July 2024.

Economy

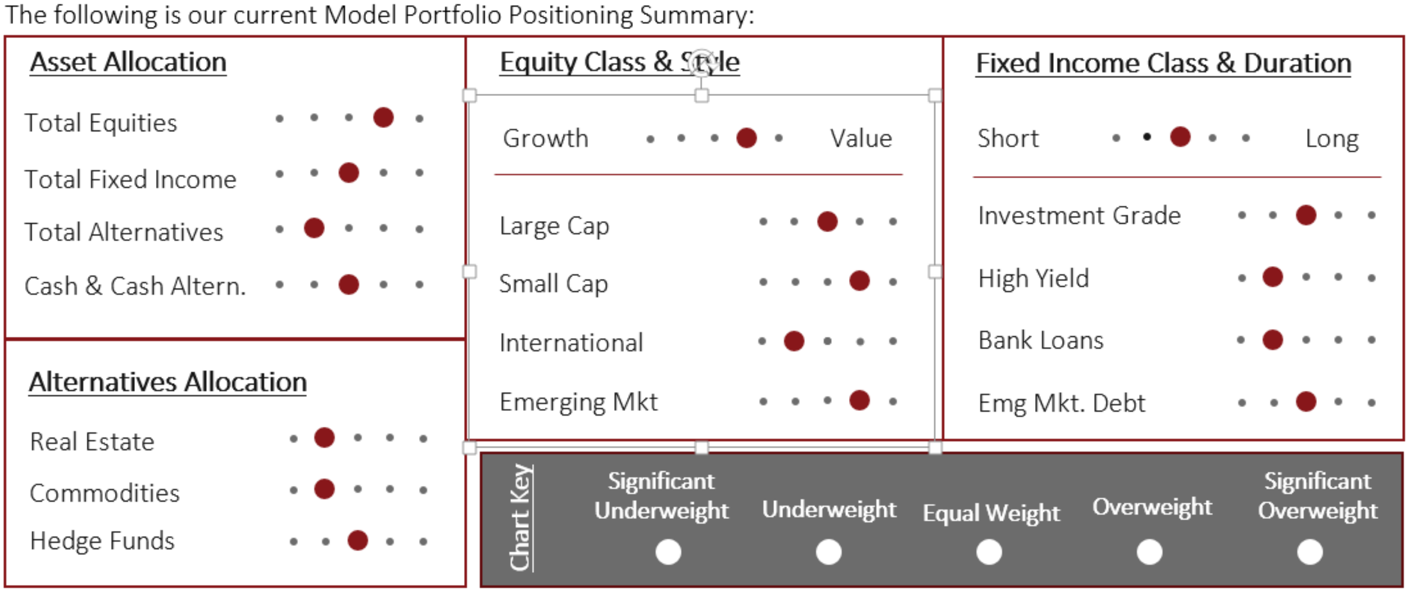
- U.S. GDP Growth – Our expectation that economic growth would slow is coming to fruition. The ten-year Treasury opened the July 4.34% and closed July at 4.11%. The drop in rates during July was in response to economic data that suggested slowing growth.
- Inflation – Headline inflation (including food and energy) has proven to be stubborn, but the rate of change is declining. The latest print in July was 2.9% (June was 3.0%) as energy prices eased up. Core inflation (excluding food and energy) was 3.2% in July.
- Employment/Wages – The unemployment rate has creeped upwards and job creation has slowed. The July print for unemployment was 4.3%, up from the June rate of 4.1%. July job creation was 114,000 jobs, down from the June number of 179,000 jobs created.
- Interest rates – The Fed has been on the sideline since July 2023. The futures market is now pricing in a September rate cut and a total of 100 basis points of cuts by the end of the year.

Markets

- Fixed Income – The Federal Reserve began its interest rate hiking regime in March 2022 and it last increased rates in July 2023. Inflation has proven to be stubborn, but is increasing at a declining rate. If the trend holds, it will give the Fed room to cut rates sooner rather than later.
- Equities – We expect GDP to slow in the fourth quarter of 2024. Equity markets posted improvements in 2024 so far in response to the prospects of rate cuts. Volatility will be a constant as inflation and interest rate provide headwinds to valuations.
- Alternatives – We continue to see valuations in real estate turn over as higher rates impact valuations of real estate properties.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



[1] Provided by our affiliate, Discretionary Management Services (DMS), LLC