

# QUARTERLY UPDATE

## LETTER FROM OUR CIO

JULY 5, 2024

The second quarter of 2024 has been marked by a combination of resilience and caution in the US economy and financial markets, shaped primarily by two driving factors:

### **Economic Growth and Employment:**

The US economy has continued its steady expansion, albeit with some moderation compared to the previous quarters. GDP growth has stabilized around 2%, supported by consumer spending and business investment. The labor market remains tight; however, we have seen an uptick in the unemployment rate to 4%. Also helping the inflation story is that wage growth has shown signs of deceleration. Federal Reserve policymakers are closely monitoring these trends as they navigate the path of interest rate adjustments to balance economic growth with inflationary pressures.

### **Inflation and Monetary Policy:**

Inflationary pressures have persisted but at a moderate pace compared to the peaks observed in previous quarters. The Consumer Price Index (CPI) rose by 3.3% year-over-year, reflecting elevated energy costs and supply chain disruptions in certain sectors. The Federal Reserve announced at its June 2024 Federal Open Market Committee (FOMC) meeting that they would maintain current rate levels. However, the markets have priced in one rate cut for 2024.

The impact on stock and bond Markets has been significant. Financial markets have exhibited resilience, driven primarily by very solid corporate earnings. Equity markets experience strong gains in the quarter, with mega cap technology outperforming broader indices. Fixed income markets have experienced volatility amid inflation and interest rate expectation adjustments, prompting investors to seek yield in alternative assets. Investor sentiment remains cautiously optimistic, underpinned by strong corporate fundamentals and innovation-driven growth. Once again, we have seen the divergence in the market returns, continuing the trend of US outperforming the rest of the world and Growth outperforming Value.

Overall, the second quarter of 2024 presented a complex economic landscape characterized by a balancing act between growth, inflation, interest rate expectations, technological innovation, and geopolitical risks. While the US economy continued its expansionary trajectory, challenges such as inflationary pressures and global uncertainties underscored the importance of prudent management. As we navigate through this uncertainty, maintaining a diversified portfolio and staying attuned to evolving market dynamics is paramount to us at Legacy Edge Advisors. We remain constructive on sectors such as semiconductors and software to take advantage of AI trends, cybersecurity, industrials, healthcare innovation. We also added to our position in a fund that is levered to the buildout of the electrical grid. We further drove the overweight to the US while trimming back on both international developed and emerging markets. We continue to monitor the political and economic risks and stand ready to act when necessary. Our eyes will be turning towards the US election as we head into the final stretch, but we continue to maintain that the markets will shrug off the political uncertainty and continue to focus on economic activity.



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