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summaries

SIGMA INVESTMENT COUNSELORS

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MARKET COMMENTARY

The start of the quarter was rocky, with worries about prices continuing to rise and uncertainty about the economy causing a market downturn in April. However, the tide turned in May and June and the S&P 500 advanced to new highs. We saw some positive signs in the US economy, such as better-than-expected growth in the first quarter, driven by strong spending by consumers and businesses. Inflation also slowed down a bit, and oil prices declined, which was reassuring to investors.

The first quarter GDP growth exceeded expectations at 3.5%, supported by robust consumer spending and increased business investments. Additionally, the Consumer Price Index (CPI) showed a moderated inflation rate of 2.3% annually, down from the previous quarter's 2.7%. These developments were pivotal in bolstering market sentiment, and hope was renewed for a possible interest rate cut (or two) by the Federal Reserve later this year.

Large growth companies continued to outperform mid and small sized companies during the quarter. Tech companies, especially those in Artificial Intelligence (AI), continued to be the big winners during the quarter. Names like Nvidia, Apple, Microsoft, and Alphabet led the charge, with Nvidia alone contributing significantly to the overall gains in the market and responsible for 1.6% of the S&P 500 return of 3.9% during the quarter. While these stocks have been performing well, their prices compared to the rest of the market suggest it might be smart to scale back on them a bit. This helps manage risks and rebalance into other areas that are showing promise for growth.

International developed markets were basically flat during the quarter, while emerging markets improved 5% for the quarter and 9% for the year. This performance was also partially driven by investments in AI-related hardware. European markets rose to new highs during the quarter on better-than-expected economic data and lower than expected inflation data, but uncertainty surrounding elections in France and England caused some market volatility later in the quarter. China continues to face economic challenges, amidst ongoing geopolitical tensions related to US trade dynamics.

Bond markets were flat during the second quarter as interest rates remained steady. The yield curve remains inverted, meaning lower yields on longer term bonds. It has made sense in certain situations to proactively lock in higher rates with expectations of potential rate cuts later this year. Our outlook on fixed income remains to take minimal risk in this portion of client portfolios.

In the geopolitical arena, elections happening around the globe, including the upcoming US presidential election, are getting a lot of attention. While these events can dominate headlines, they usually don't shake up the investment markets too much. However, policy decisions on things like taxes, immigration rules, and trade deals could have an impact on how the economy works and on investor sentiment. There is talk about what will happen with the tax cuts that were put in place in 2017—they're set to expire in 2025. Both political parties have differing ideas on what to do, especially when it comes to taxes on high-income earners and where to cut spending. Changes in immigration rules could affect US labor markets, and trade deals could change how much it costs to bring things into the country.

We've seen that elections often bring big promises, but actually making those promises into real laws can be very tricky and rarely happen exactly as planned. That's why our approach to investing focuses on the long-term basics of the economy. We want to make sure that investments are strong and steady, even when there's a lot of talk about changes.

Looking forward, while there is a lot of potential for the markets to keep growing, we're keeping a close eye on the geopolitical risks as well as the risks that come with a few big tech companies doing so well. Our strategy is to balance the opportunities for growth and carefully watch for risks to make sure portfolio investments stay diversified and keep working to achieve investment goals.

As we keep navigating through these markets, we're staying committed to thoughtful investing and a long-term perspective. Your trust and partnership mean everything to us, and we're here to give you tailored financial advice aligned with your goals.

If you have any questions or want to talk more about your investments, please reach out anytime.

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Please remember to contact Sigma Investment Counselors if there are any changes in your financial situation or investment objectives

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