

The logo for Bouche Financial Group, featuring the word "bouchey" in a white, elegant serif font. The background is a dark blue gradient with several thin, white diagonal lines on the right side.

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Q2 2024 Market and Economic Update

July 10, 2024

Presenters



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Chief Investment Officer



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Wealth Advisor & Portfolio Strategist

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Market & Economic Momentum

Today we will discuss:

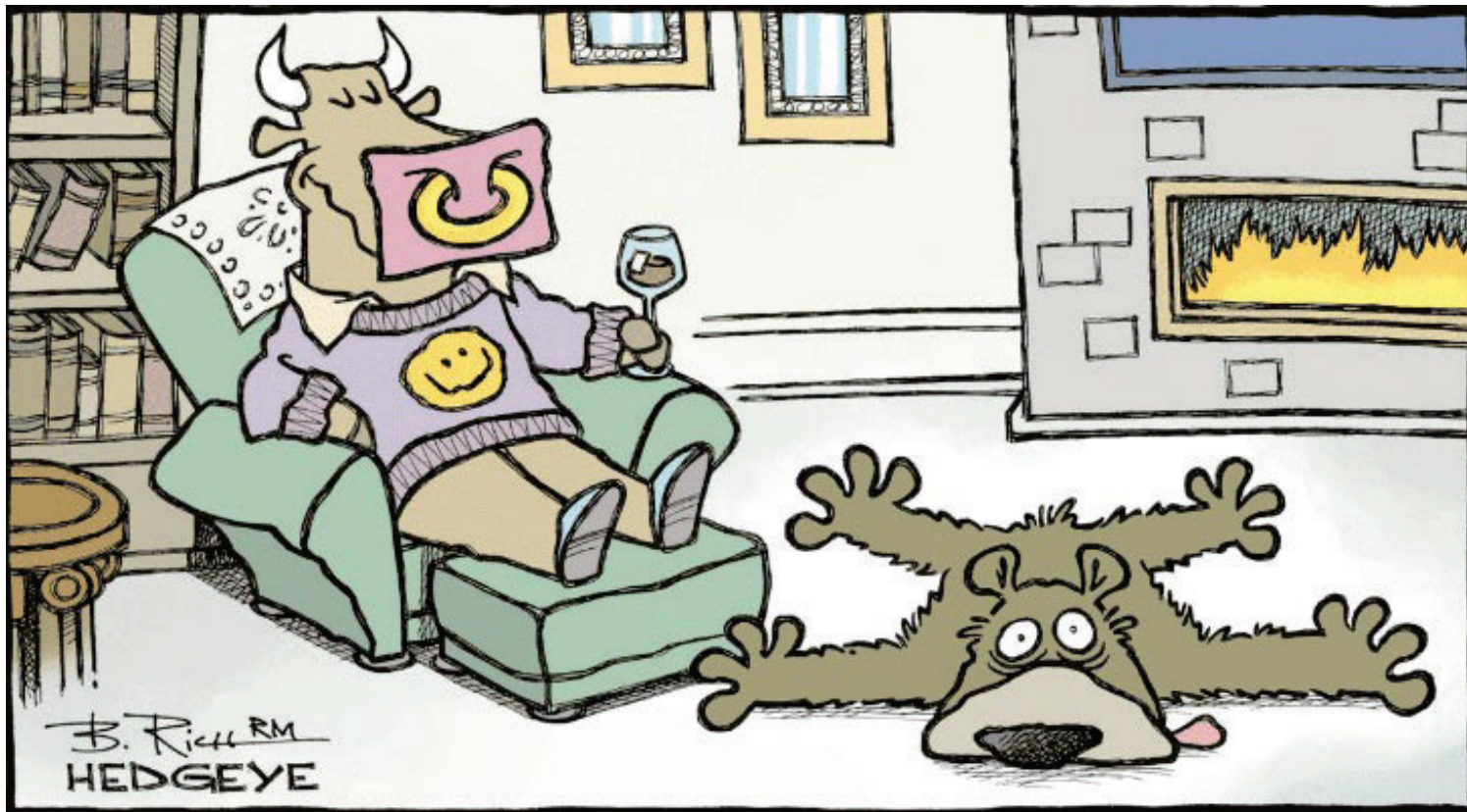
- **1st Half Recap**
- **Economic Overview**
- **Market Outlook & Expectations**

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Another Good Start for the Bulls



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YTD Market Performance Recap



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BFG Portfolio Tactical Allocation

Overweight
U.S. Equities
Technology
Quality
Growth

Underweight
International Equities
Sector Specific
Small Cap's
Real Estate

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First Half Sector Recap

Large Cap Sectors	2023	Q1 2024	Apr 2024	May 2024	Jun 2024	Q2 2024	YTD 2024
Technology (XLK)	54.7%	8.2%	-5.8%	7.1%	7.6%	8.6%	17.5%
Communication Services (XLC)	51.4%	12.4%	-4.7%	6.9%	2.9%	4.9%	17.9%
Consumer Discretionary (XLY)	38.4%	2.8%	-4.5%	0.2%	3.7%	-0.8%	2.0%
S&P 500	24.2%	10.2%	-4.2%	4.8%	3.5%	3.9%	14.5%
Industrials (XLI)	16.1%	10.5%	-3.5%	1.6%	-1.3%	-3.2%	6.9%
Materials (XLB)	10.1%	8.6%	-4.6%	3.3%	-3.5%	-4.9%	3.2%
Real Estate (XLRE)	8.5%	-1.3%	-8.4%	5.1%	0.9%	-2.8%	-4.1%
Consumer Staples (XLP)	-3.4%	6.0%	-1.2%	2.4%	-1.0%	0.3%	6.3%
Financials (XLF)	9.9%	12.0%	-4.2%	3.2%	-1.3%	-2.4%	9.3%
Health Care (XLV)	0.4%	8.3%	-5.0%	2.4%	1.4%	-1.3%	6.9%
Utilities (XLU)	-10.2%	3.7%	1.7%	9.0%	-6.3%	3.8%	7.6%
Energy (XLE)	-4.1%	12.6%	-0.9%	-0.3%	-2.2%	-3.5%	8.7%

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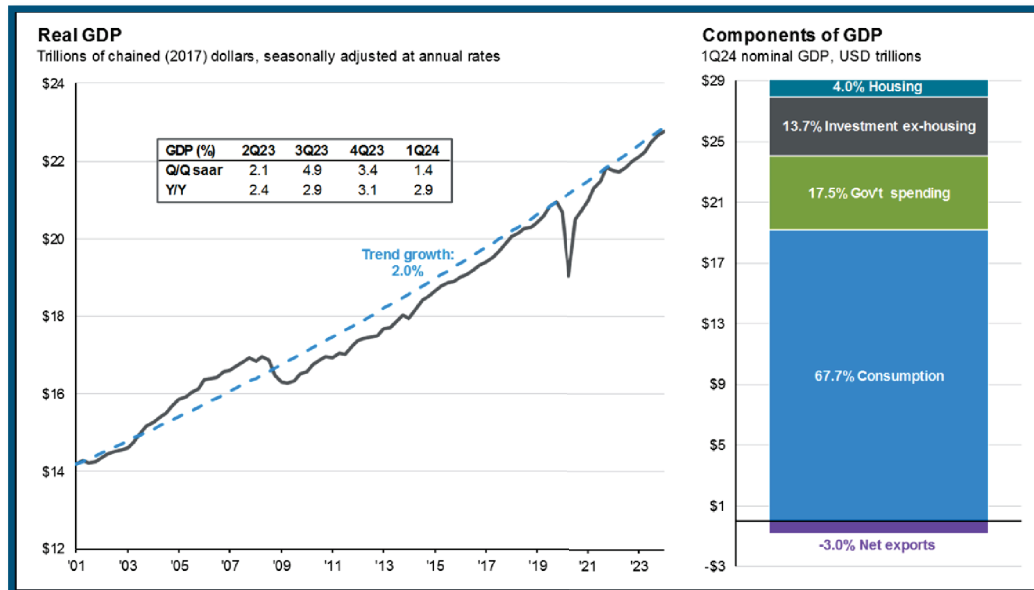
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Economic Overview

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US Economic Growth



Metric	Revision	Initial Estimate
GDP	+1.3%	+1.6%
Consumer spending	+2.0%	+2.5%
Nonresidential investment	+3.3%	+2.9%
Residential investment	+15.4%	+13.9%
Government spending	+1.3%	+1.2%

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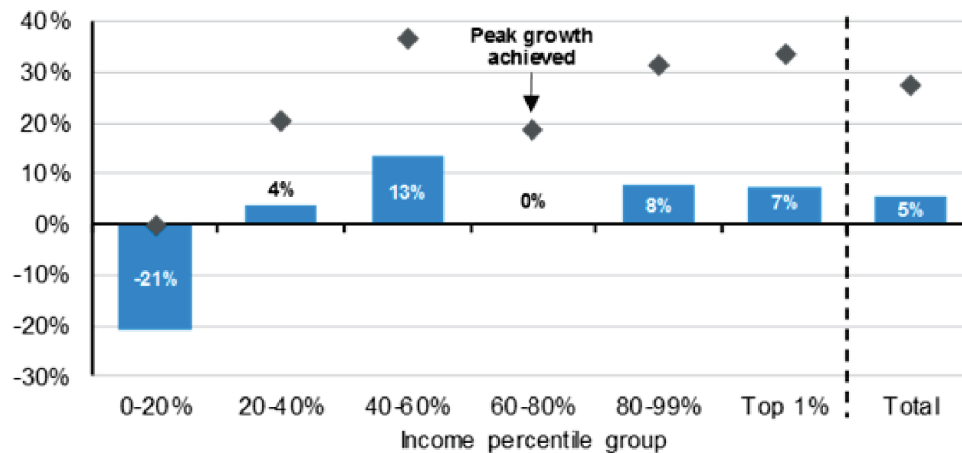
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Consumer Finances

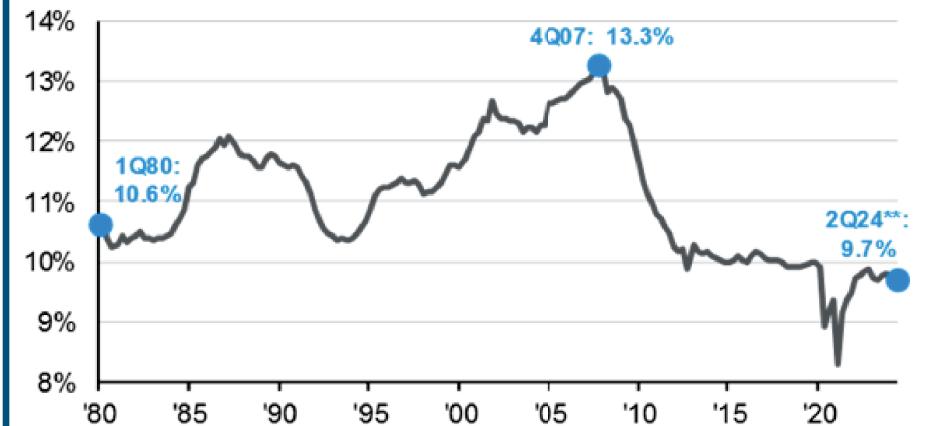
Inflation-adjusted growth in deposits by income percentiles

Checking and savings account balances, % change from 4Q19 to 1Q24



Household debt service ratio

Debt payments as % of disposable personal income, SA

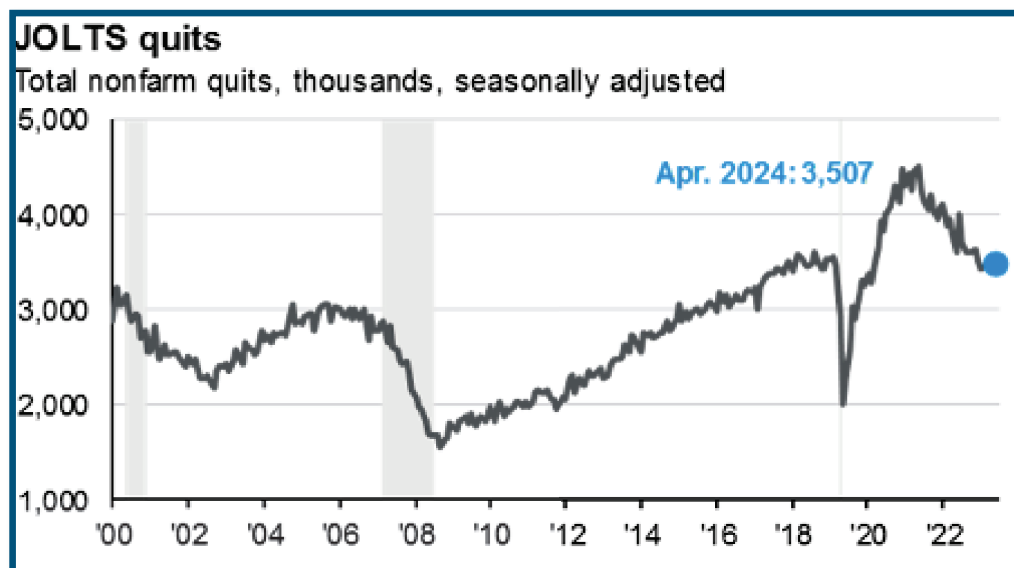
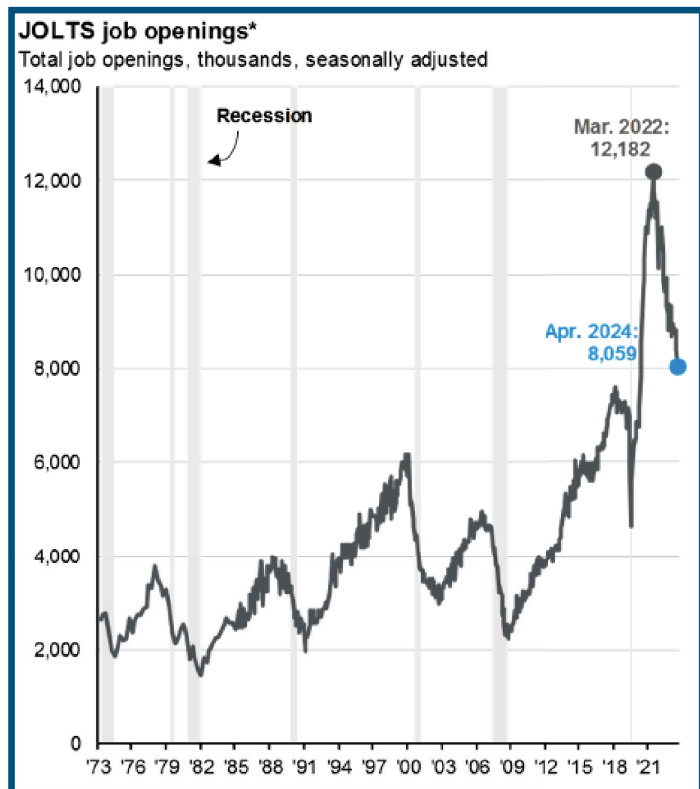


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Labor Market



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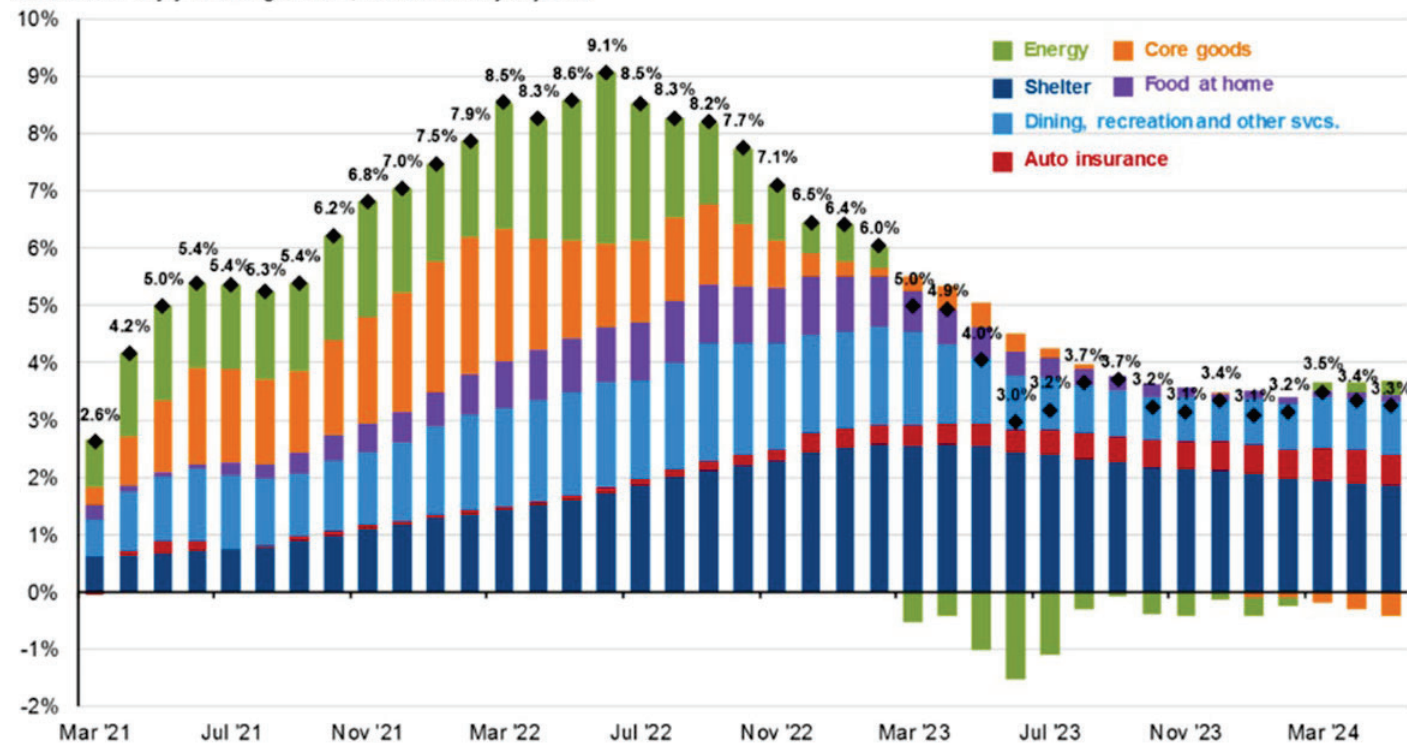
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Inflation Progress

Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



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Recap

- Q1 GDP Growth slowed but was still above the historical 2% trend on a Y/Y basis.
- Consumer savings has slowed but balance sheets remain healthy.
- Labor market remains strong and continues to show signs of returning to sustainable levels.
- Continued progress on inflation – All eyes are on Thursday's CPI report.

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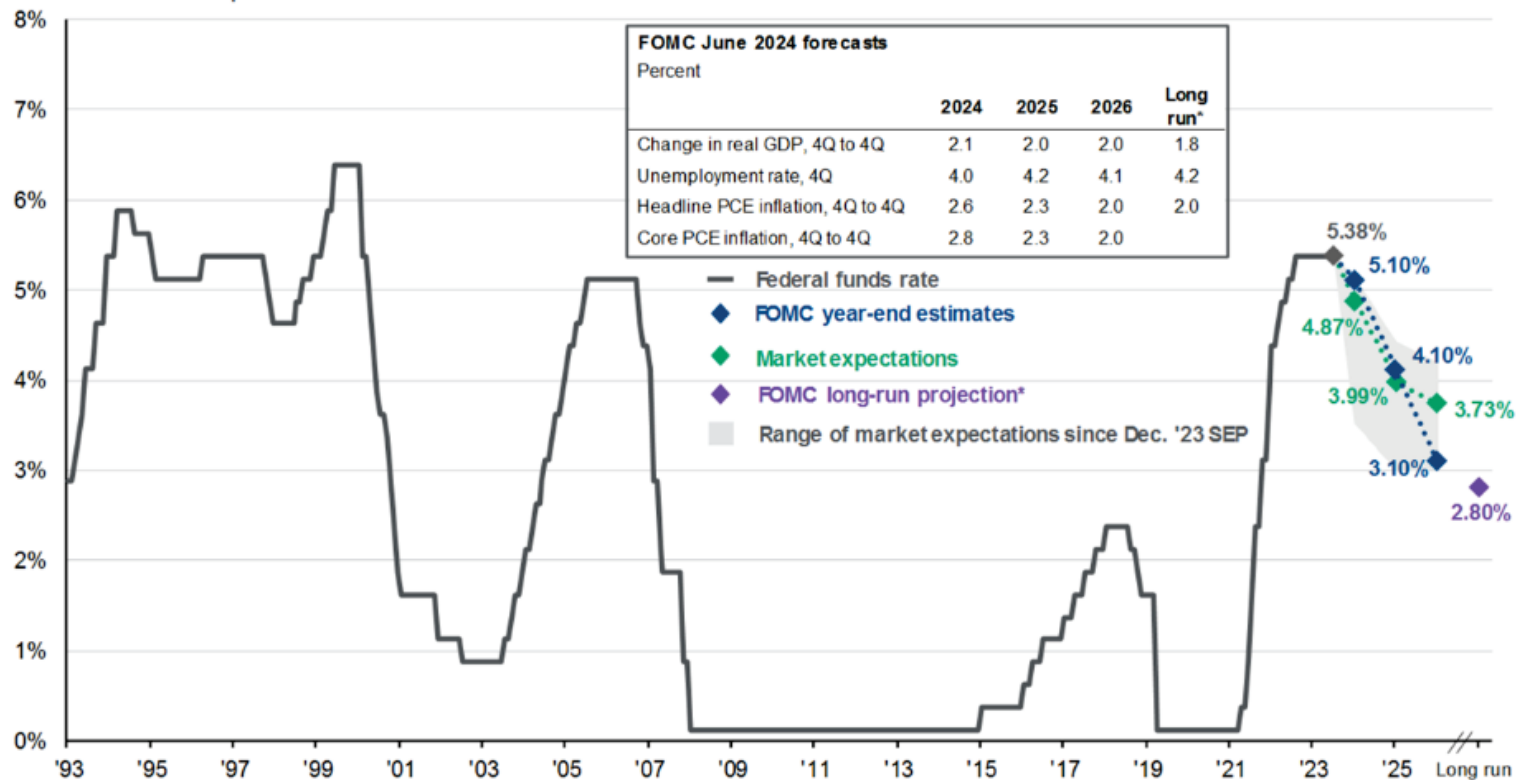
The Fed & Fixed Income Outlook

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The Fed & Interest Rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

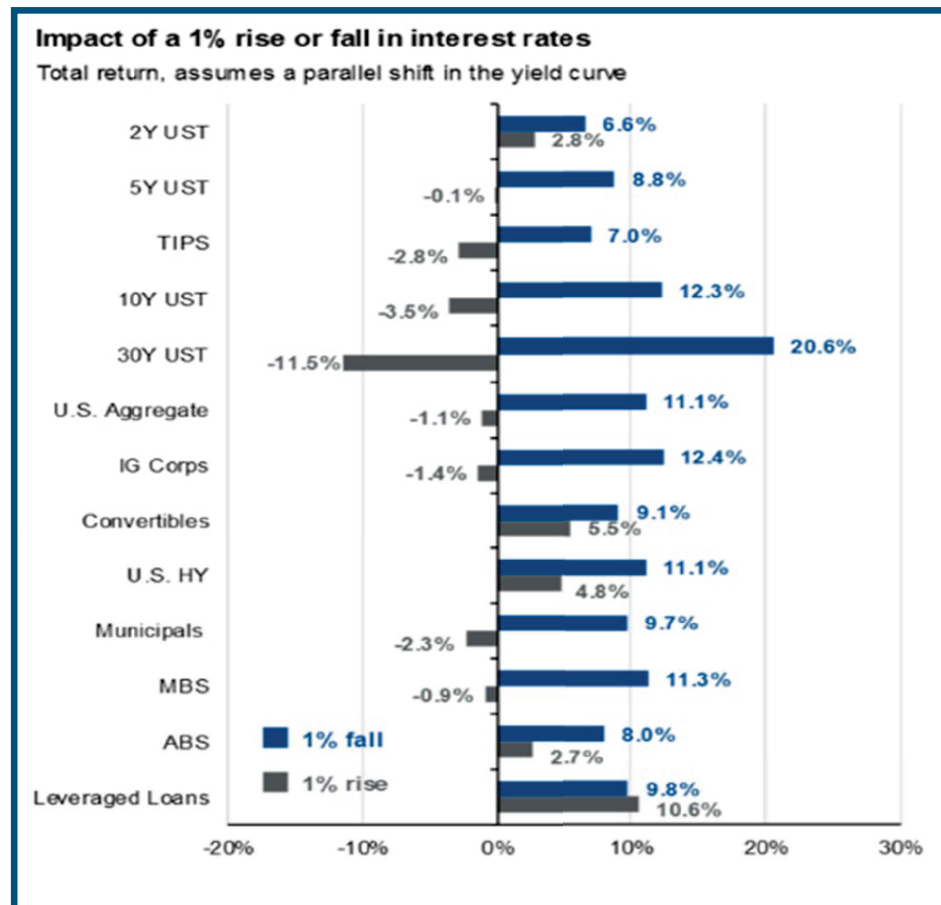


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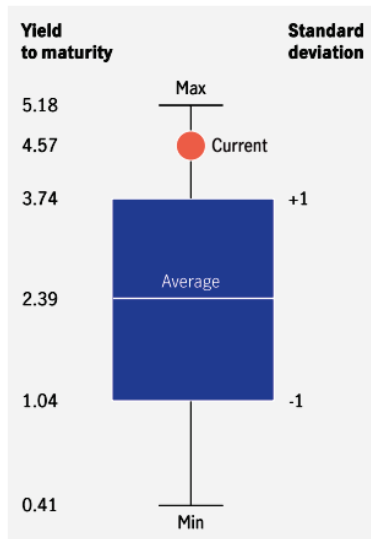
Fixed Income: Risk vs Reward



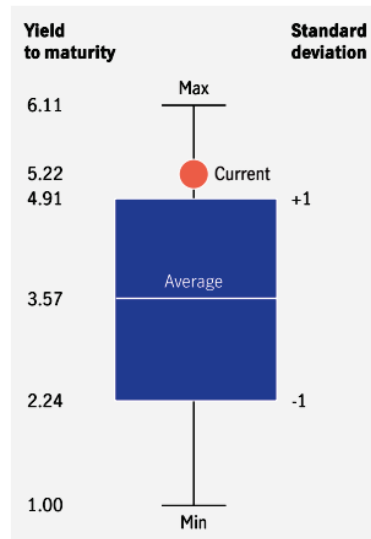
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Fixed Income Valuations

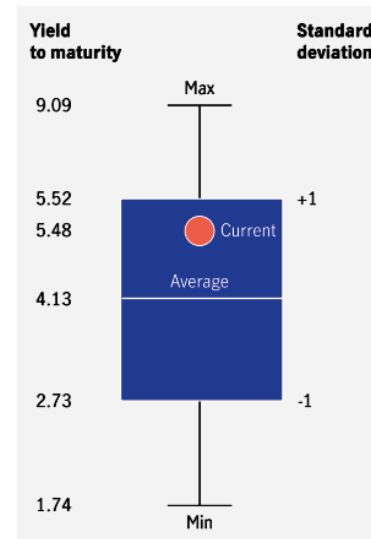
Bloomberg U.S. Aggregate Government/Treasury Index



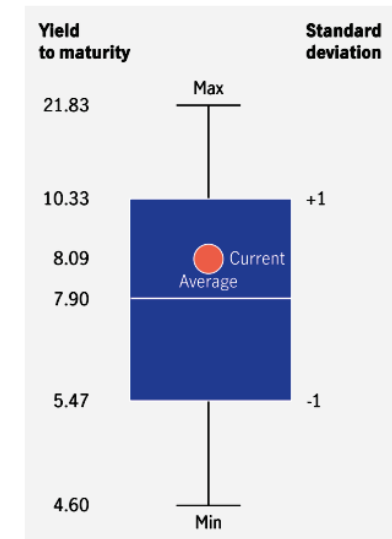
Bloomberg U.S. Aggregate Securitized MBS Index



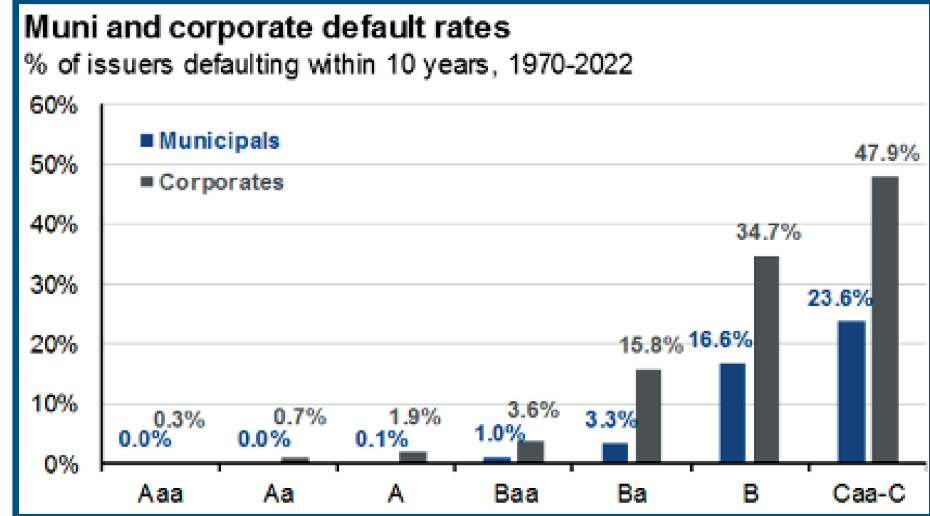
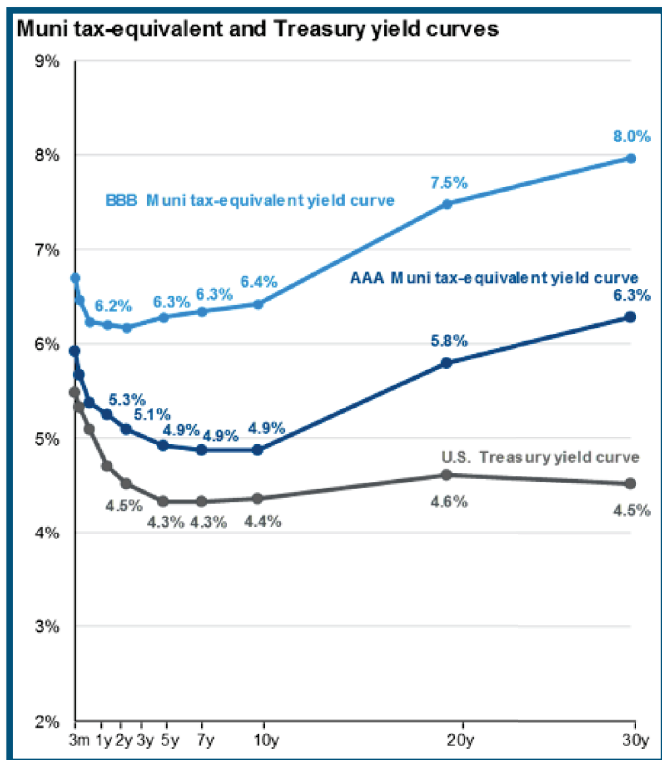
Bloomberg U.S. Corporate IG Index



Bloomberg U.S. Corporate HY Index



Municipal Bonds



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Recap

- Strong economic data changes FED forecast to only 1 cut this year, but market expectations differ.
- Bonds continue to provide strong valuations and attractive Risk Vs Reward profiles.
- Municipal bonds offer strong tax-equivalent yield for high income investors while showing high credit quality.

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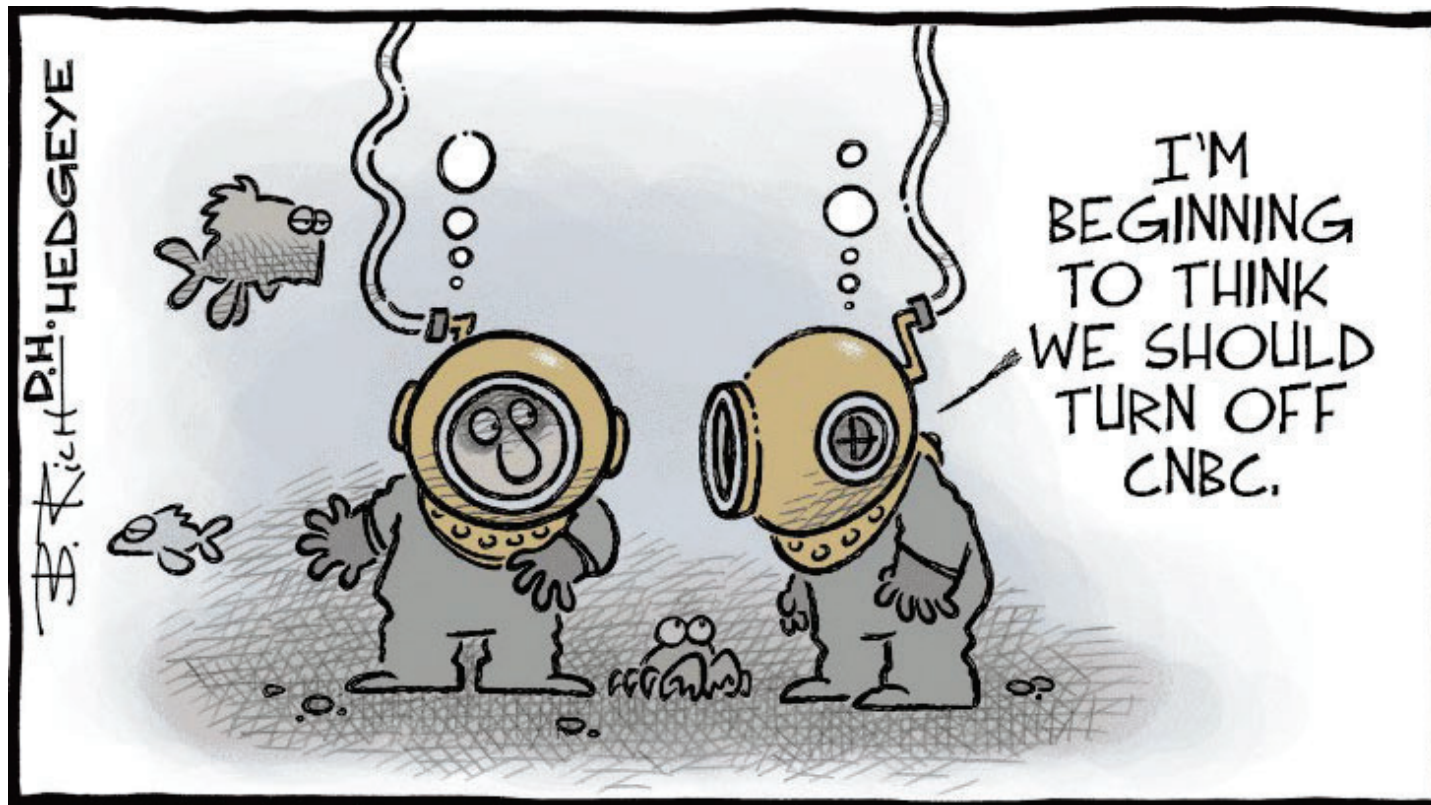
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Market Concerns & Taking a Nuanced Approach

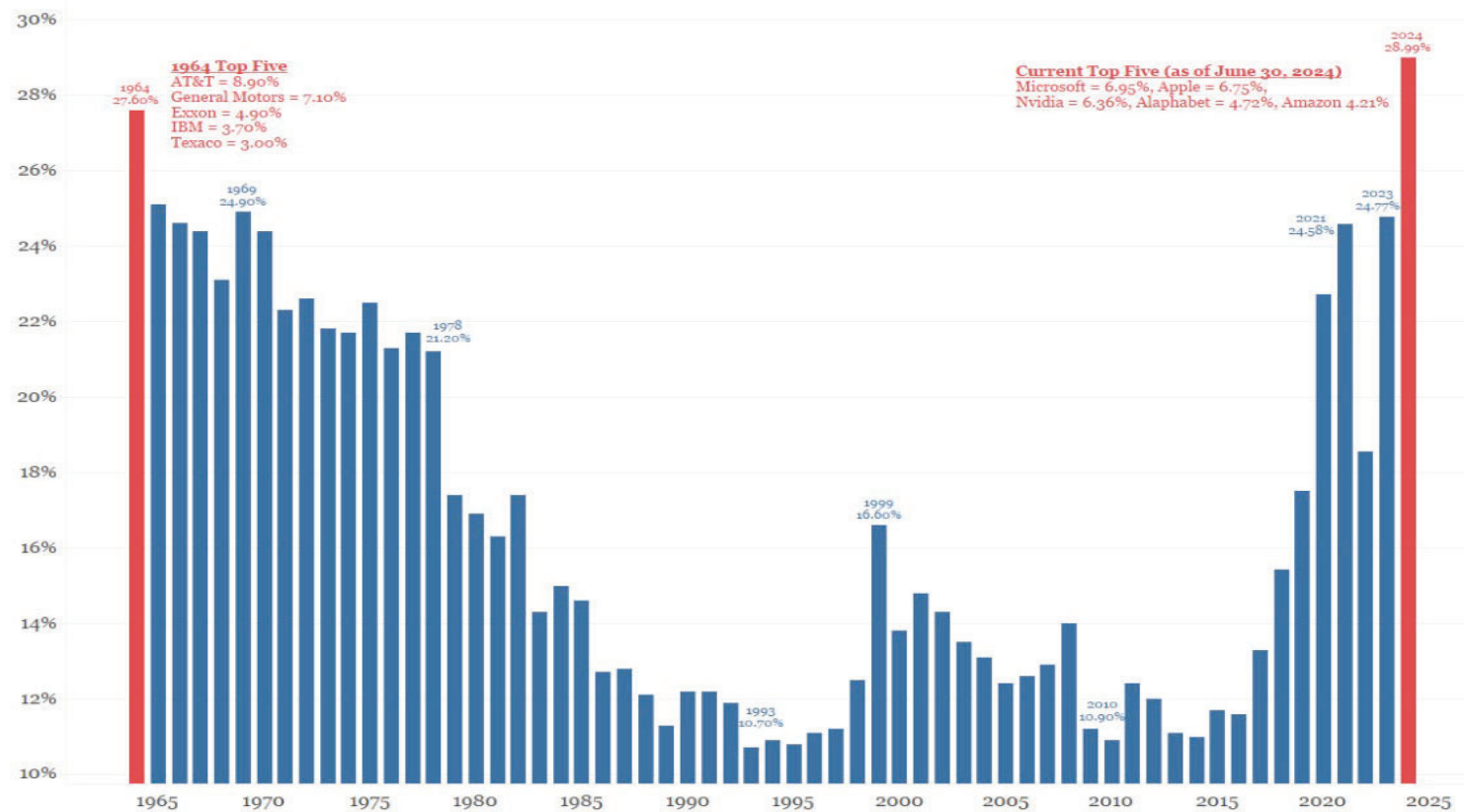
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Formulating a Balanced Approach



Market Concentration

The Five Largest Stocks in the S&P 500



Source: S&P, Dow Jones, Bloomberg

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Market Concentration

Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

<u>Year</u>	<u>Top 10 as % of Total</u>	<u>S&P 500 % Perf.</u>
2007	78.7%	3.5%
2024	77.2%	14.5%
2023	68.4%	24.2%
2020	58.9%	16.3%
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%

Strategas ETF Research

Source: Strategas, Bloomberg, 7/1/24

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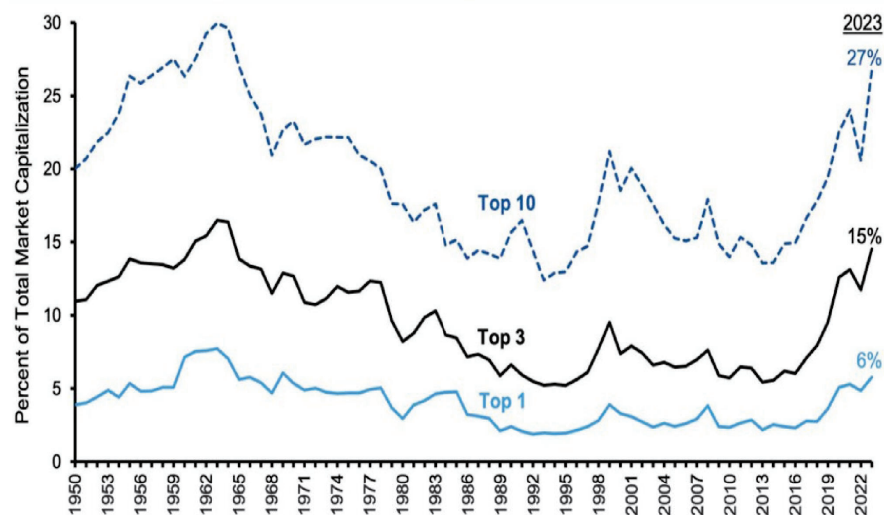
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Market Concentration

– Why It May Be a Good Thing

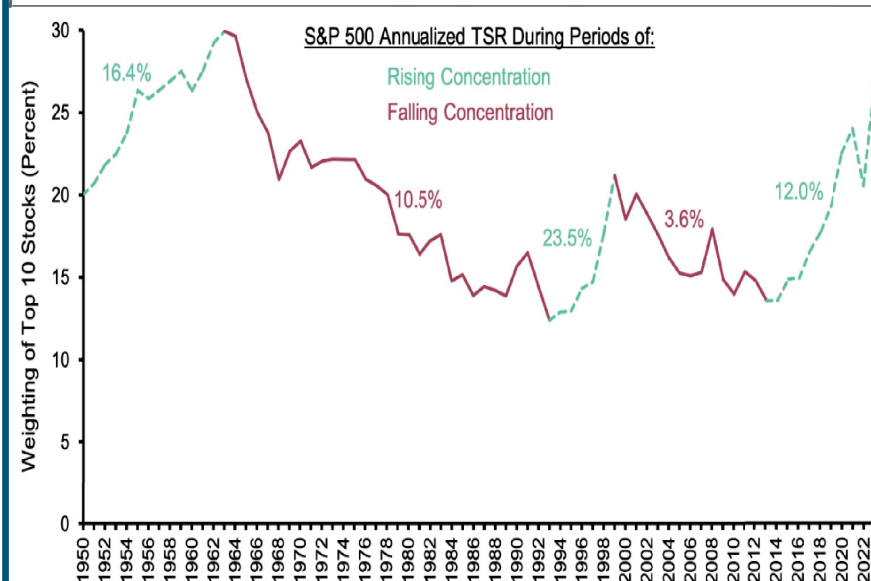
Exhibit 1: Stock Market Concentration in the U.S., 1950-2023



Source: FactSet; Compustat; U.S. Securities and Exchange Commission, Annual Reports, see www.sec.gov/reports; Counterpoint Global.

Note: Universe includes companies listed on the New York Stock Exchange, NASDAQ, and NYSE American stock exchanges, excluding American depositary receipts; Market capitalizations reflect calendar year-end.

Exhibit 9: S&P 500 Annual Returns During Rising and Falling Concentration, 1950-2023



Source: FactSet and Counterpoint Global.

Election Results Shouldn't Impact Portfolios

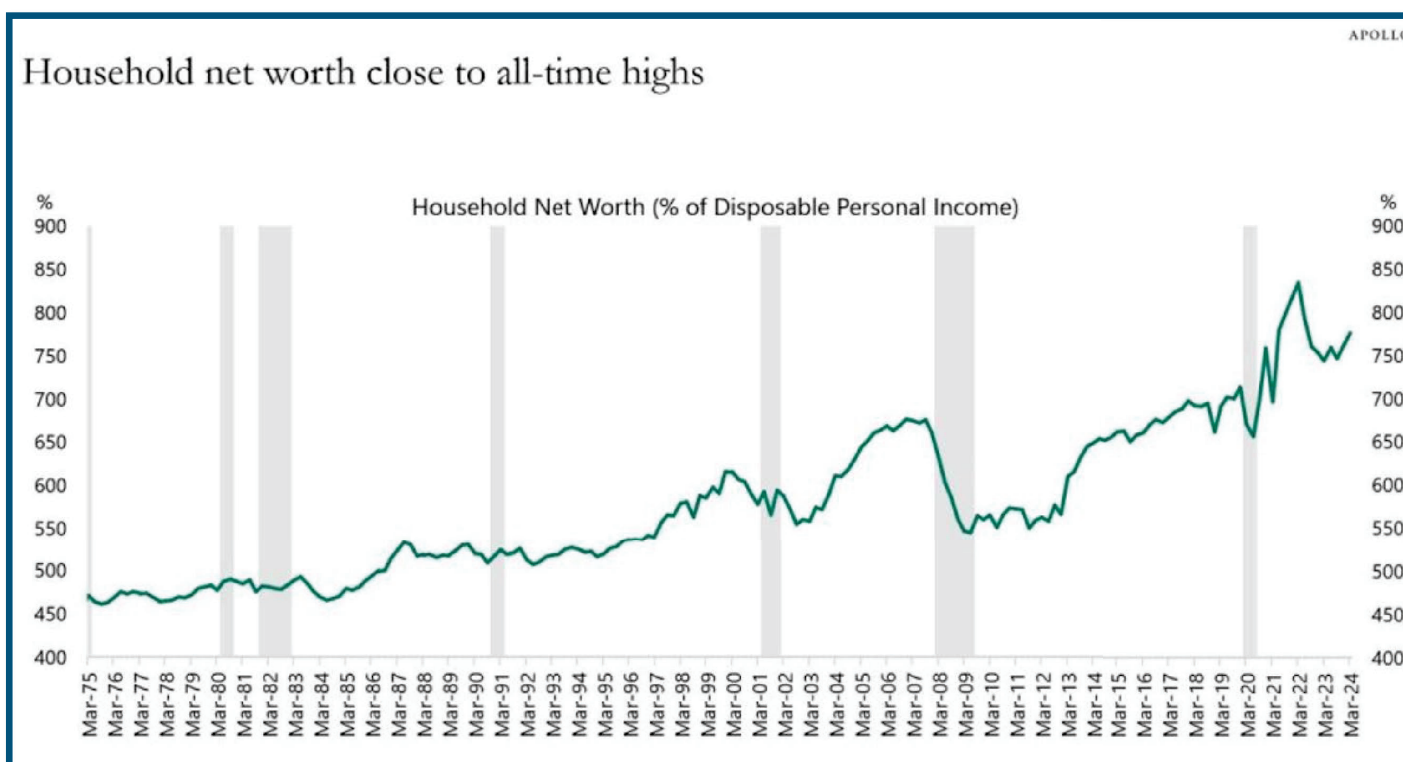
Cross-asset returns during past two presidencies

	Top-performing asset classes	Trump presidency 11/8/16–11/3/20, total annualized return (%)
1	S&P 500 Sec/Information Technology	27.56
2	Russell 1000 Growth Index	22.14
3	S&P 500 Sec/Consumer Disc	19.40
4	Russell Midcap Growth Index	18.75
5	MSCI USA Quality Index	17.71
6	MSCI China Index	16.07
7	MSCI EM Growth Index	15.23
8	Russell 2000 Growth Index	14.60
9	Russell 1000 Index	14.58
10	S&P 500 Index	14.39

	Top-performing asset classes	Biden presidency 11/3/20–4/30/24, total annualized return (%)
1	S&P 500 Sec/Energy	45.23
2	Bloomberg WTI Crude Oil Subindex	37.34
3	S&P 500 Sec/Information Technology	20.33
4	S&P 500 Sec/Financials	17.94
5	S&P MidCap 400 Value Index	15.81
6	S&P 500 Sec/Industrials	15.49
7	MSCI USA Quality Index	14.82
8	S&P 500 Index	14.54
9	Russell 1000 Growth Index	13.97
10	S&P MidCap 400 Index	13.55

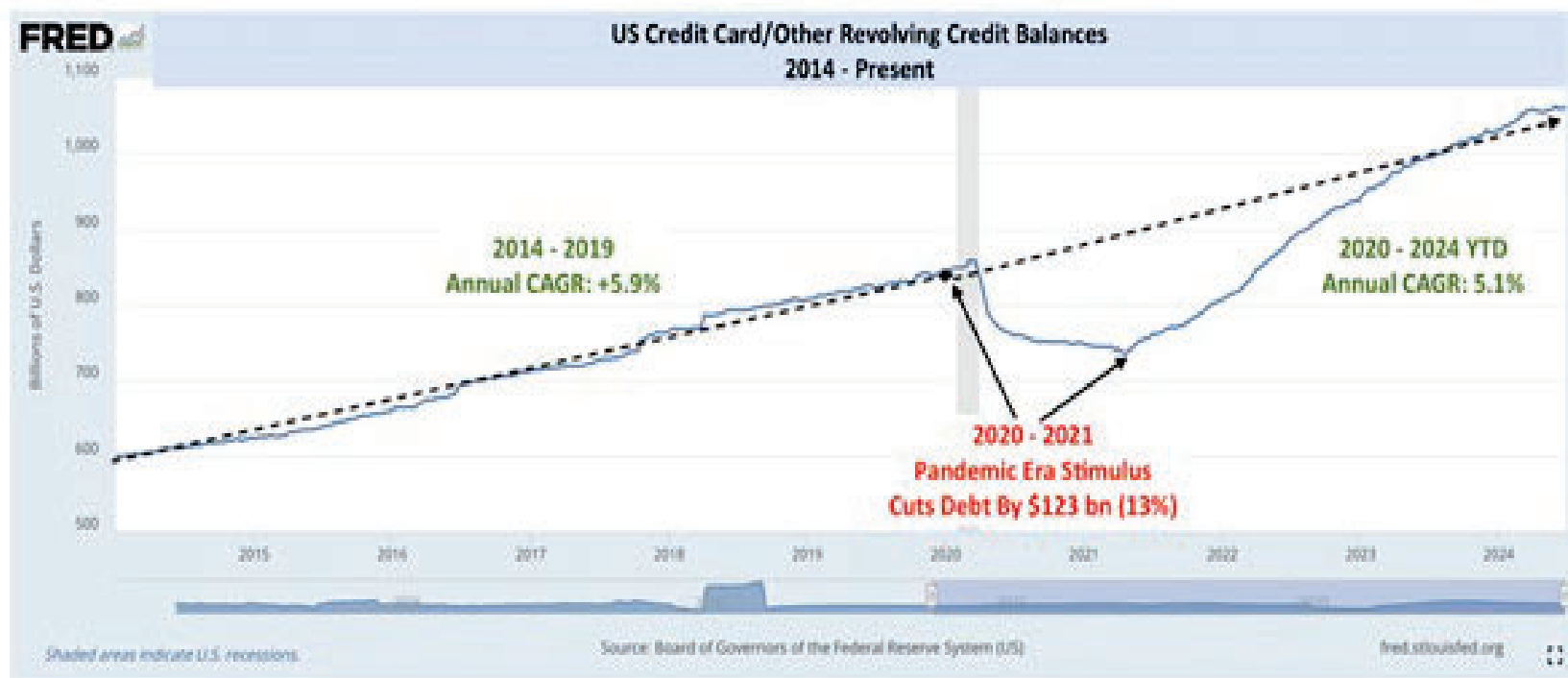
Source: FactSet, as of 4/30/24. The S&P 500 Index tracks the performance of 500 of the largest companies in the United States. The Russell 1000 Growth Index tracks the performance of large-cap companies in the United States with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Growth Index tracks the performance of mid-cap companies with higher price-to-book ratios and higher forecasted growth values. The MSCI USA Quality Index tracks the performance of large- and mid-cap stocks displaying higher-quality characteristics. The MSCI China Index tracks the performance of large- and mid-cap stocks in China. The MSCI EM Growth Index tracks the performance of large- and mid-cap EM stocks exhibiting growth style characteristics. The Russell 2000 Growth Index tracks the performance of small-cap companies in the United States with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Index tracks the performance of 1,000 large-cap companies in the United States. The Bloomberg West Texas Intermediate (WTI) Crude Oil Subindex tracks the performance of the nearest- and longest-term futures contract on a rolling basis. The Bloomberg Commodity Index provides a broadly diversified representation of commodity markets as an asset class. The S&P MidCap 400 Value Index tracks the performance of value companies in the S&P MidCap 400 Index. The S&P MidCap 400 Index tracks the performance of 400 mid-cap companies in the United States. It is not possible to invest directly in an index. Past performance is not indicative of future results. ¹ Quote is attributed to the subadvisor featured on the page.

Fears of a Weakening Consumer



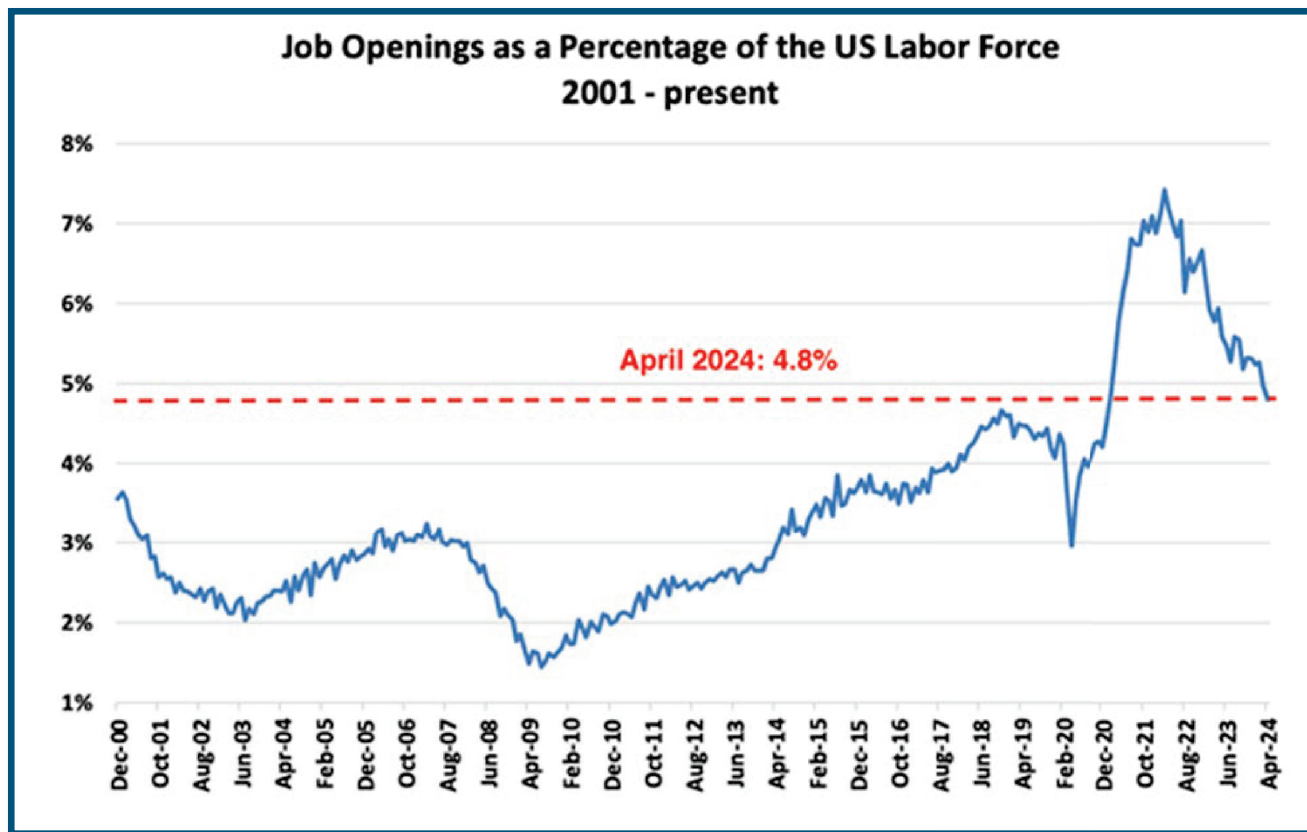
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Fears of a Weakening Consumer

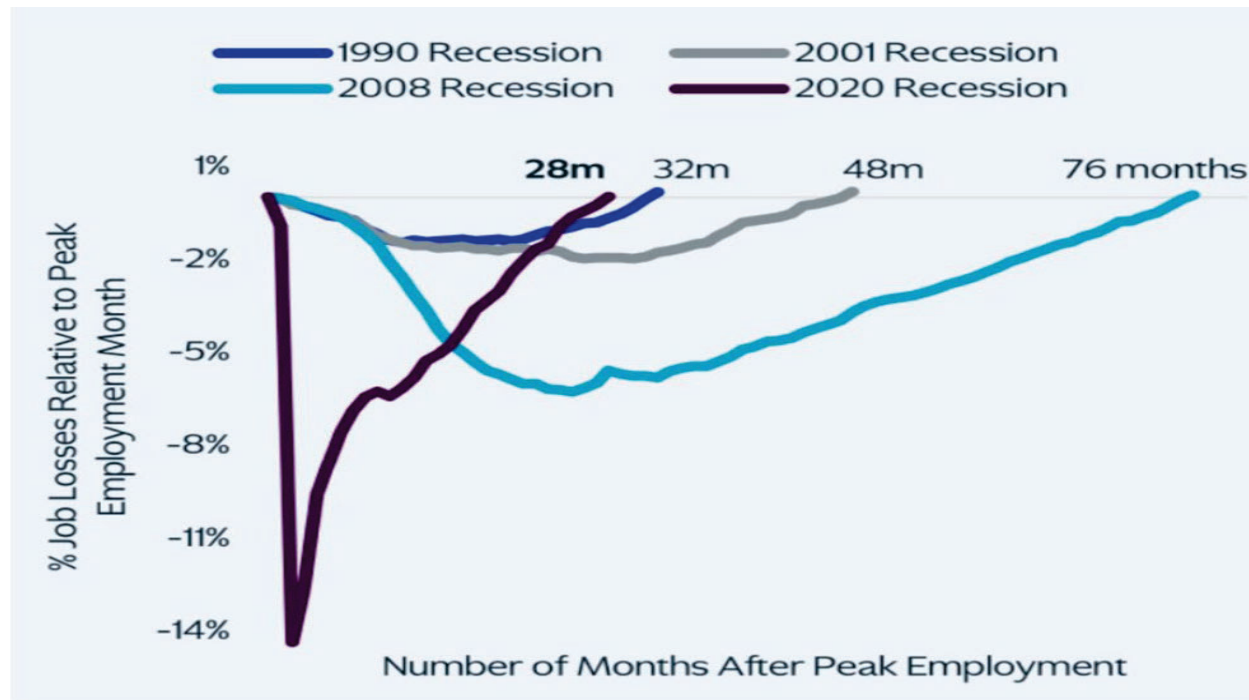


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Fears of a Weakening Labor Market



This Is Still an Abnormal Environment



Data as at December 31, 2023. Source: U.S. Bureau of Labor Statistics, Haver Analytics.

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Valuations Continue to Rise

S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of June 30, 2024.

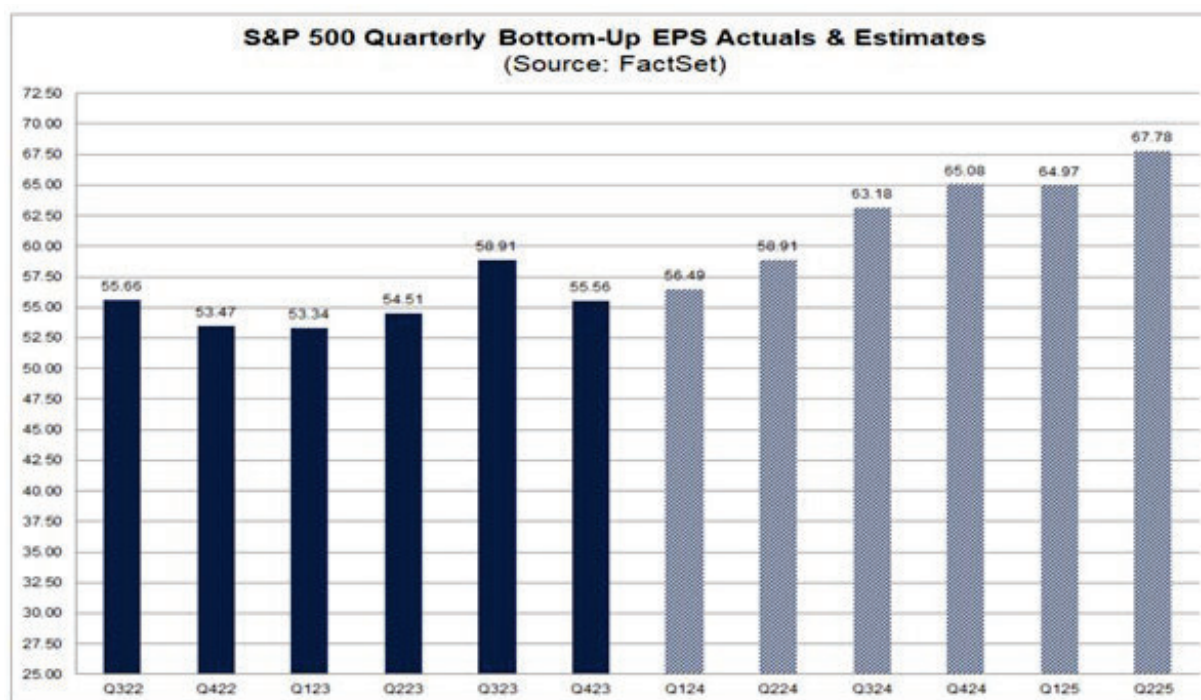
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Will Earnings Keep Pace?



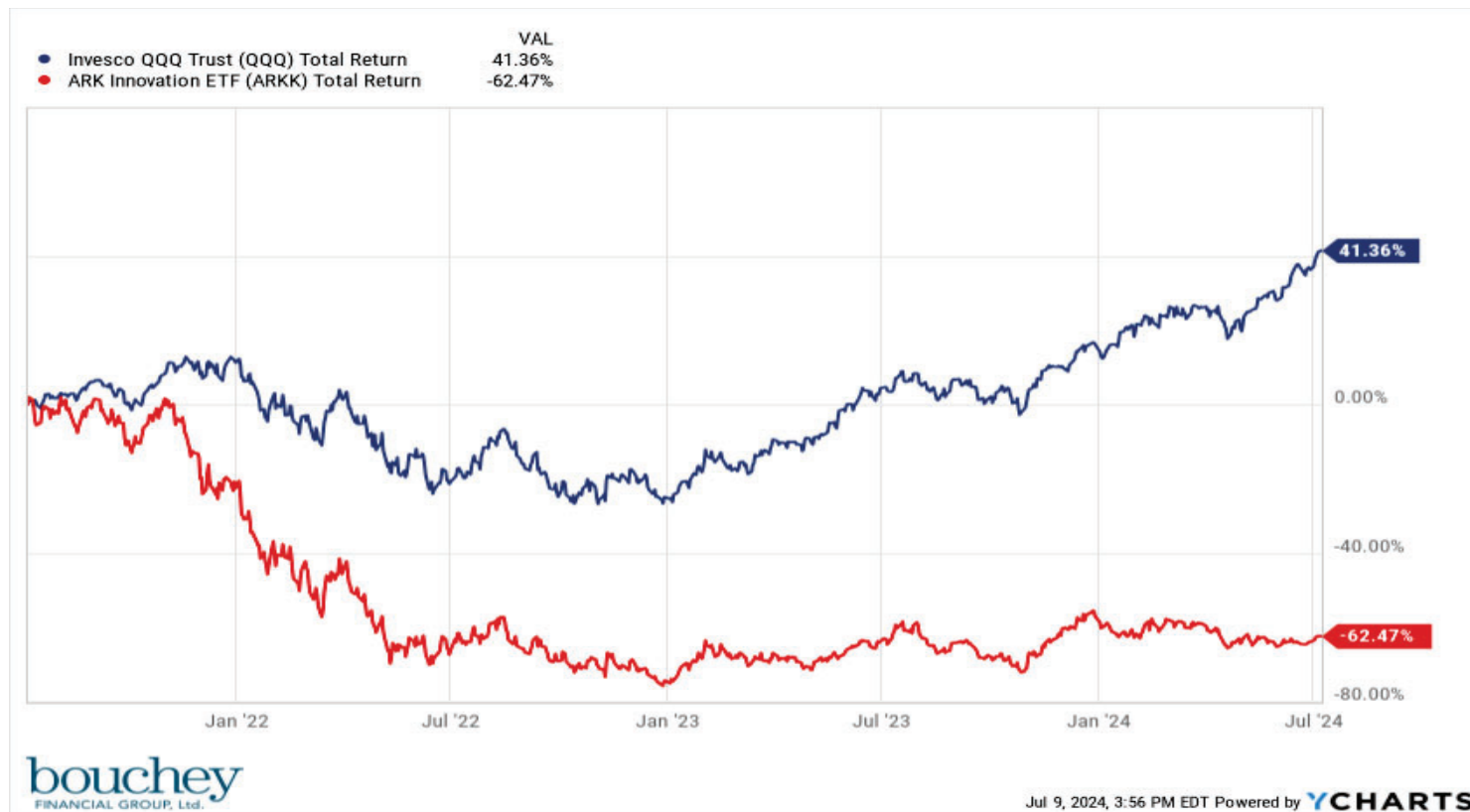
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Why We Need Balance



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Careful Not to “Chase” Returns



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Closing Thoughts

- There's plenty to be concerned about in today's market environment
 - But there always is!
- Need to have a nuanced approach to the data we have
 - Always two sides to every datapoint
- Not the time to “chase” returns
 - Have an appropriate approach to the market environment and conditions we have today to help reach your long-term goals

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Thank you for joining us!

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