



Benchmark Returns as of June 30, 2024

	For the Month	Year-to-Date		For the Month	Year-to-Date
S&P 500	3.59%	15.29%	Bloomberg Aggregate Bond Index	0.95%	-0.71%
Dow Jones Industrial Average	1.23%	4.79%	Developed International	-0.06%	6.04%
Nasdaq	6.03%	18.57%	Emerging Markets	4.01%	7.68%

We have arrived at the halfway point of 2024 with stellar year-to-date performance from the large-cap U.S. equity market (the S&P 500's total return is +15.3%) and even stronger results (+18.6%) from the growth-oriented Nasdaq index. After a brief review of the major economic reports for the month and what we learned from the June FOMC meeting, we will share relevant insights from our research partners. TrendMacro mitigates concerns that stocks have become overvalued, while Argus Research parses the past for clues to what the second half of 2024 may bring.

MAJOR ECONOMIC REPORTS:

- The June 7th labor report showed an addition of 272,000 jobs in May, far above expectations for payroll growth of ~180,000. While sparking some concerns about wage-led inflation, subsequent inflation reports were a positive for the markets.
- Mid-month, the CPI for May showed Core inflation up 3.4% on a year-over-year basis. This was the lowest rate since April 2021 and a softer reading than the markets were expecting. Components measuring sticky shelter prices represented nearly all the gain in the index. At month-end, the May PCE price index (preferred by the Fed for its timelier composition changes) eased to a year-over-year growth rate of 2.6%, the lowest since March 2021.

JUNE 11 – 12 FOMC MEETING:

- Updates to the Summary of Economic Projections (SEP) released at the conclusion of this meeting showed a median fed funds rate of 5.1% for 2024. This implies only one rate cut by year-end and reinforced the ongoing "higher for longer" mantra coming from FOMC members.
- At this writing, the market-based probability of a 25 basis point cut is only 8.8% for July but rises to 63.2% for the September 18th meeting. (Source: CME FedWatch)
- The next FOMC meeting will take place July 30 – 31.

The S&P 500 posted seven new closing highs in the month of June. Has the market come too far too fast? Are stocks overvalued? We were intrigued



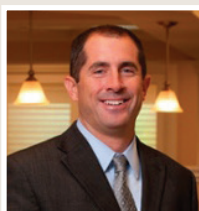
by an answer from TrendMacro™ that took an inflation-adjusted look at S&P 500 performance over the last thirty months. In summary, "in nominal terms, the S&P 500 experienced no gains at all across 2022 (a bad year) and 2023 (a perfectly offsetting good year). So over two-and-a-half years, all equity gains are explained by just the last six months. When inflation-adjusted, the cumulative gains since 2022 are near zero. The S&P 500 in real terms only broke even about two weeks ago." This should give investors optimism about further gains ahead.

Argus Research used historical data to make a case for further improvement. Their analysis looked at the sixteen instances since 1980 when the S&P 500 rose at least 10% in the first half of the year. Argus calculated that "the average S&P 500 return in the second half of those years was 7.3%." Certainly, they point out that "there are no guarantees that stocks will continue to climb in the second half. In three of the 16 years, the S&P 500 lost ground." Still, that is a winning percentage of 81%. What factors could impact the second half of 2024? According to Argus, "stocks may benefit from positive economic and earnings trends and the possibility of lower interest rates. The upcoming presidential election is a wild card, though, and could add uncertainty as the first Tuesday in November approaches."

As always, we will be monitoring all these factors and more on behalf of our clients.

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