



Time flies... we are halfway through 2024,

Markets continue to perform well, driven mainly by large US technology names. The S&P 500 gained 15.2% while the equal weight S&P 500 gained 4%. Smaller capitalizations remain unnoticed and fairly priced. Mega-capitalizations are expensive. Earnings are growing. But, for how long? Time will tell as to when this subsides. For now, prices are justified, but history indicates a correction for the Magnificent 7 is forthcoming.

US Treasury yields continue to be attractive. We can earn 5.2% on a one-year bond. Investors remain obsessed over a Fed rate cut decision. The Federal Deficit is the issue here, but we are not alone as the G7 are all in the same boat. Regardless of that outcome this appears to be a reasonable yield for our short-term fixed income allocation.

Market Performance:

Index	Return	P/E
S&P 500	15.2%	26.2
S&P 400	6.1%	19.5
Russell 2000	1.6%	27.5
NASDAQ:	17.3%	35.3
MSCI World ex-US	11.4%	15.7
US Agg. Bond	-0.7%	N/A

Much like last quarter, Large Growth outperformed Value. Smaller capitalizations lagged their larger peers. Non-US was so oversold it has started to recover. Volatility remains near historic lows. Overall, markets are functioning into summer as normal.

Portfolio Positioning

We believe neutral positioning to our target amount of equities is optimal for the remainder of the year. Fall tends to have drops that create buying opportunities. Valuations are stretched in certain sectors around Technology. Otherwise, US equities are fairly priced given the economy and efficiencies from A/I. Additionally, markets historically have done well in election years like this.

AI

Finally, AI is all the rage. Almost half of S&P 500 companies mentioned Artificial Intelligence in their quarterly conference calls. Nvidia and Google are known entities and priced accordingly. There are pockets of smaller names that could be utilized as tangential plays. The sector trades at a significant premium to the S&P 500 but earnings are growing at a higher rate. Price always matters. A/I may be the future. But the winners will generally be determined in hindsight. Historically these have been outsiders that no one saw. We continue to research names that might fit well into our individual stock portfolios. However, defining the future of what AI 'is' will be an ongoing task.

We look forward to connecting soon.

-Fountainhead Financial, LLC.