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Despite uncertainty associated with inflation and the upcoming elections, equity markets remained resilient throughout the second quarter, trading at or near record highs. When discussing the possibility of a market correction, it is challenging to find any major red flags in the current economic and employment landscape. Both remain healthy as markets traded within our Dow Jones Industrial Average fundamental range of 35,300 to 40,300.

The steady flow of positive macroeconomic readings presents a persistent challenge in the Fed's fight against inflation. The stickiness of inflation is evident from the projected interest rate reductions for this year, dropping from possibly five to maybe one or two. In addition to seeking a further recovery in fixed income prices, we believe over analysis of interest rate paths stems from our need to gauge the sustainability of this bull market. Bottom line, markets are seeking a new leg to support current valuations moving forward.

Earlier in the year, broader markets contributed to 2024 year-to-date results, but as the focus shifted from inflation to the election, we sensed a turnaround in market sentiment during the second quarter, causing a slight pullback in equity pricing. Tech stocks trading at lofty valuations dipped but quickly rebounded, separating themselves from the rest of the pack as renewed AI coverage overshadowed inflation and election uncertainties.

After celebrating a June Consumer Price Index (CPI) report reflecting a fall in retail prices for the first time since the pandemic, we were quickly reminded of lingering inflation with a higher-than-expected wholesale Producer Price Index (PPI) figure the next day. This causes anxiety for analysts and economists projecting Fed rate cuts, but we remain steadfast in our belief that maintaining current rates will be better in the long run.

Consistent with the most recent CPI reading, we are seeing cracks in corporations' ability to dictate higher prices. This softness is surfacing in sectors where consumer budgeting influences spending decisions. This is a positive factor in battling inflation but may challenge corporate fundamentals. Managing expectations is crucial, with acceptance of lower margins being a trade-off for steady, sustainable long-term growth in an inflation-friendly environment.

We are excited to announce the addition of Lexi Barnhart to Ellis Investment Partners, LLC. She will play a vital role within our Portfolio Management Operations Team as an analyst. You will have an opportunity to meet her at our Berwyn office or at future Ellis events.

As we continue to monitor anticipated market patterns based on fundamentals, we expect more news-driven "relative" volatility throughout the rest of the year due to the November elections. Please contact your advisor with any questions regarding your financial plan or portfolio as we navigate another eventful year.