

# FLAGSTONE

FINANCIAL ADVISORS, INC.

## MARKET REVIEW SECOND QUARTER 2024

### ***What Happened:***

In the second quarter, the market continued its march upward. U.S. Stock returns for the first six months of 2024 topped 15%, despite the heightened anxiety surrounding the November election. Once again, we are reminded that the market is not overly concerned with who our next president will be—it is much more focused on corporate earnings, inflation and interest rates. The consensus among financial analysts is that corporate earnings will grow briskly, 9% in 2024 and 14% in 2025. Inflation, however, is proving difficult to eradicate. Inflation remains above the 2% threshold desired by the Federal Reserve which, in turn, has forced the Fed to postpone the much anticipated lowering of interest rates.

Being an election year, you may be wondering if one political party has an edge over the other in terms of stock performance. Our friends at CFRA (an independent investment research company) did an analysis looking at average annual stock performance going back to WWII. Their study included the office of the president as well as the House of Representatives. The thinking behind including the House is that the House controls the purse strings of the federal budget which arguably makes it more closely connected to stock performance. What they found is that stocks have returned an average of 11.5% annually under democratic presidents, 7.1% under republican presidents. Interestingly, these results flip when looking at the House. Annual average stock returns were 10.6% when the House was controlled by republicans, 7.9% when controlled by democrats. CFRA is quick to note that although this analysis may be interesting to investors, it should not be considered to have any predictive powers regarding how stocks will perform in the future.

### ***YTD Performance Through June 30, 2024:***

S&P 500 Index (large stocks)	15.3%
Russell 2000 Index (small stocks)	1.7%
MSCI EAFE Index (international stocks)	5.3%
Bloomberg U.S. Aggregate Bond Index (bonds)	(0.7)%

### ***Prognosis:***

Election years create a unique type of uncertainty and unease for our country, but as we have already pointed out, the election results will not significantly impact the long-term direction and magnitude of future stock performance. Instead, investors should focus on projections for corporate earnings growth which are very strong. What's more, the business world is undergoing a profound transformation with the development of artificial intelligence applications. This technology has the potential to enhance efficiencies and corporate profitability as well as to improve our standard of living. As always, expect some bumps along the way, but it is an exciting time to be an investor.

Wishing you all a wonderful summer season!

*SCK*