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## Q2 2024 Newsletter

### Economy & Market Valuation

The US stock market as measured by the S&P 500 went up by approximately 4.3% in Q2 of 2024. The US economy is showing signs of a slowdown as higher interest rates are starting to impact growth. There is a marked slowdown seen in housing and in the labor market. New home construction, sales of new homes and sales of existing homes are all showing significant slowdown. In the labor market, job openings and monthly jobs added, have slowed down. Weekly unemployment claims are going up. We need interest rate cuts by the Federal Reserve. Market is expecting interest rates to go down by at least by 25 bps in 2024, followed by additional cuts in 2025. There is a risk that, if the Federal Reserve delays the interest rate cuts, the US economy can go into recession. We expect inflation to keep on dropping to get closer to the Federal Reserve's target of 2% in 2024.

We are being asked about the impact of a Trump or a Biden win in the Nov'2024 elections on the US stock market. Fortunately, the presidents in US do not have a huge impact on the US economy and the US stock market in the long term. As Buffet says, "Biggest job of the US president is not to start a nuclear war. System will take care of the rest". We are not changing our investment philosophy by trying to predict the winner of the US elections. If Trump wins, he is likely to cut income tax rates for corporates and individuals which is a positive for the US stock market. If Biden wins, he will likely continue his policies of fiscal spending.

### 2024 investment strategy

Our investment philosophy is based on the following themes:

- Find long term compounders and try to buy them at attractive prices.
- Invest in companies that are going to benefit from AI, Cloudification and E-commerce trends.

We are seeing early signs of how AI is helping individuals and corporates to increase their productivity. We have a long way to go before AI is perfected to help the common man in daily life. Companies are investing hundreds of billions of dollars in AI. It is projected that Microsoft and Amazon will each invest more than \$100 B in AI over the next 5-10 years. Semiconductor chip suppliers, cloud hyper scalers, data centers and power companies are expected to be big beneficiaries from AI investments. We have invested a big percentage of our portfolio in companies that are going to benefit from above mentioned trends.

We are constantly watching the macro economy and looking for opportunities in individual companies.

We at OCA thank you for your trust. Enjoy the 2024 summer.