



**VERABANK**  
WEALTH MANAGEMENT

Q2



Quarterly Market Review

Second Quarter 2024

# Quarterly Market Review

Second quarter 2024

This report features VeraBank Wealth Management market commentary, global stock and bond market performance data, and a timeline of events for the past quarter.

Beginning with a review of what has taken place in the financial markets and economy from April 2024 through June 2024; you'll also find returns data for major asset classes which we also include in client portfolios.

The report concludes with our current views on the market and an article examining what history tells us about markets being at all-time highs.

Contact a [VeraBank Wealth Management Advisor](#) with any questions or if you know someone who might benefit from our expert advice.

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# Quarterly Market Review

## VeraBank Wealth Management Commentary

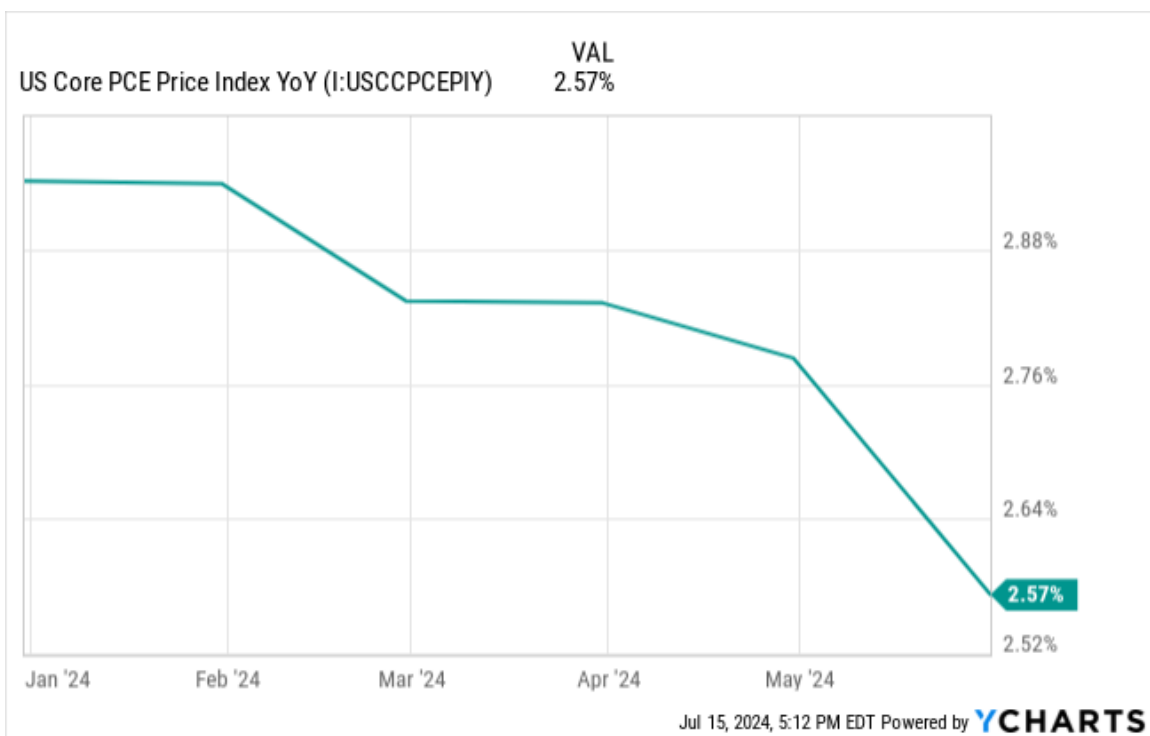
Second quarter 2024

### US Stocks at All-Time Highs

- After a pullback in global stock markets in April, US stocks rallied in Q2 to extend the bull market with the broad US stock market (Russell 3000) up 3.22%. International stock market performance was mixed, with International Developed markets down -0.60% and Emerging markets up 5.00%.
- The S&P 500, up over 4%, continued the push to new all-time highs, led by NVIDIA®, Apple®, and other large technology companies.







### Inflation continues to fall, short-term interest rates hold steady and long-term rates rise

- For yet another quarter, the Fed Funds target rate remains at 5.25-5.50%. On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 2 basis points (bps) to +5.47%, while the 1-Year US Treasury Bill yield increased 6 bps to +5.09%. The yield on the 2-Year US Treasury Note increased 12 bps to +4.71% and the 10-Year US Treasury Note increased 16 bps to +4.36%.
- Bond returns were slightly positive in Q2, despite the slight increase in longer-term interest rates.
- US Core PCE, the Fed's preferred inflation measure, decreased to 2.6% in May, but is still well above the Fed's 2% target.



# Quarterly Market Summary

## Index returns
















	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q2 2024	STOCKS				BONDS	
	3.22%	-0.60%	5.00%	-1.48%	0.07%	0.11%
						

Since Jan. 2001						
Average Quarterly Return	2.4%	1.6%	2.5%	2.2%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2023 Q4	2023 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

**Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.** Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.

# Long-Term Market Summary

Index returns as of June 30, 2024

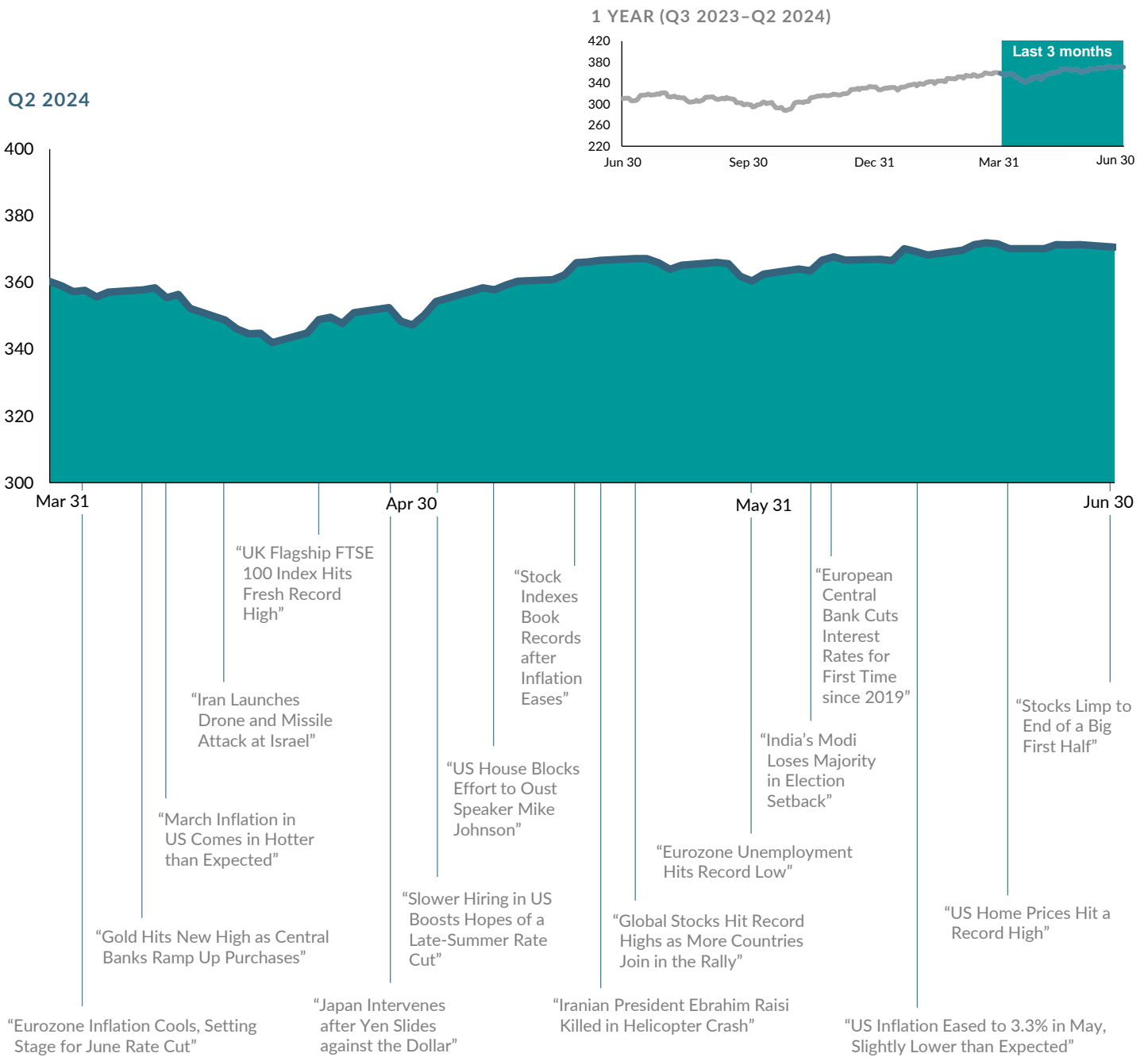
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	23.13%	11.22%	12.55%	5.10%	2.63%	5.26%
						
5 Years						
	14.14%	6.55%	3.10%	0.65%	-0.23%	0.51%
						
10 Years						
	12.15%	4.27%	2.79%	2.94%	1.35%	2.45%
						

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# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2024



**These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.**

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# US Stocks

## Second quarter 2024 index returns

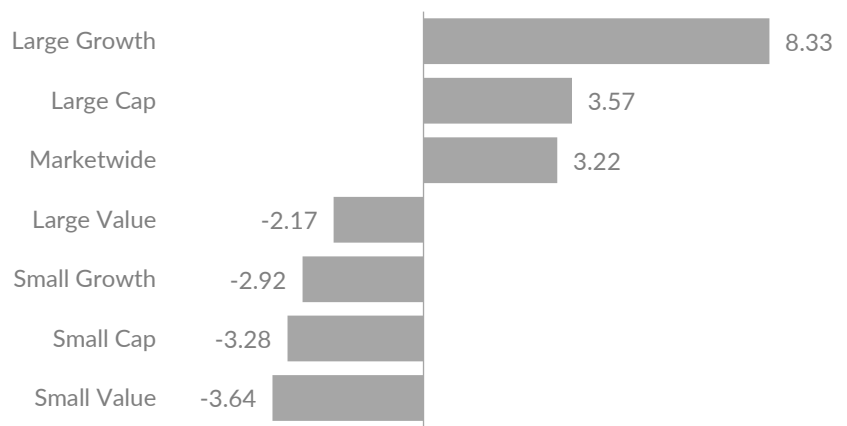
The US equity market posted positive returns for the quarter and outperformed non-US developed markets, but underperformed emerging markets.

Value underperformed growth.

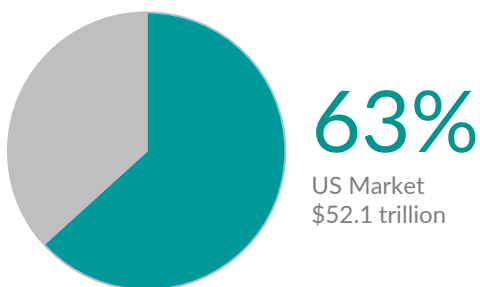
Small caps underperformed large caps.

REIT indices underperformed equity market indices.

### Ranked Returns (%)



### World Market Capitalization—US



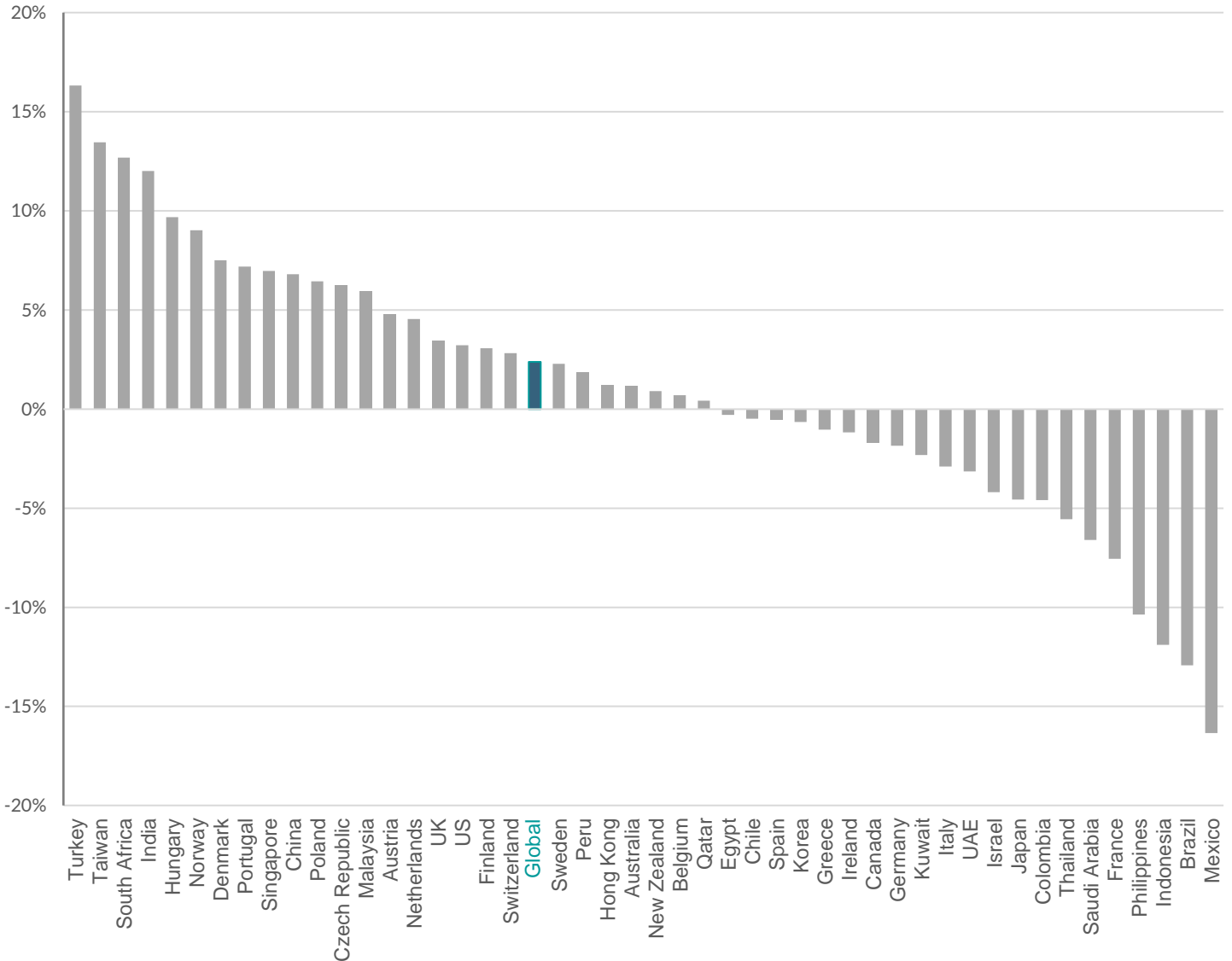
### Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Large Growth	8.33	20.70	33.48	11.28	19.34	16.33
Large Cap	3.57	14.24	23.88	8.74	14.61	12.51
Marketwide	3.22	13.56	23.13	8.05	14.14	12.15
Large Value	-2.17	6.62	13.06	5.52	9.01	8.23
Small Growth	-2.92	4.44	9.14	-4.86	6.17	7.39
Small Cap	-3.28	1.73	10.06	-2.58	6.94	7.00
Small Value	-3.64	-0.85	10.90	-0.53	7.07	6.23

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# Country Returns

Second quarter 2024 index returns



**Past performance is no guarantee of future results.**

Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.



# Fixed Income

## Second quarter 2024 index returns

Interest rates generally increased in the US Treasury market for the quarter.

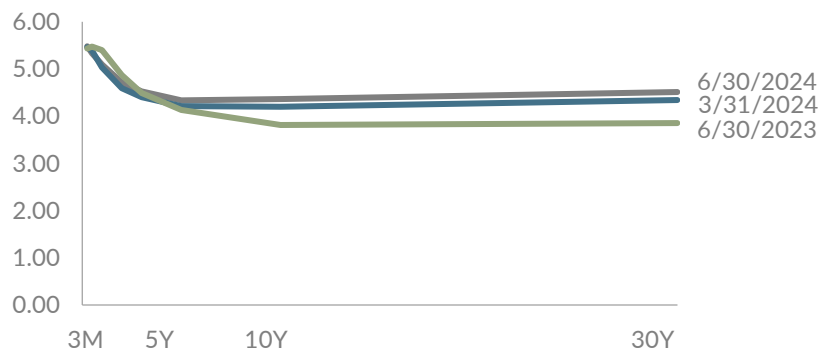
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 2 basis points (bps) to +5.47%, while the 1-Year US Treasury Bill yield increased 6 bps to +5.09%. The yield on the 2-Year US Treasury Note increased 12 bps to +4.71%.

The yield on the 5-Year US Treasury Note increased 12 bps to +4.33%. The yield on the 10-Year US Treasury Note increased 16 bps to +4.36%. The yield on the 30-Year US Treasury Bond increased 17 bps to +4.51%.

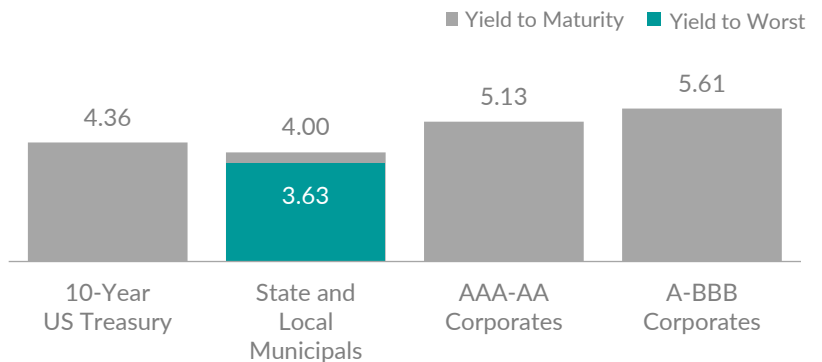
In terms of total returns, short-term US treasury bonds returned +0.77% while intermediate-term US treasury bonds returned +0.58%. Short-term corporate bonds returned +0.96% and intermediate-term corporate bonds returned +0.74%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +0.35% and -0.92%, respectively. Within the municipal fixed income market, general obligation bonds returned -0.30% while revenue bonds returned +0.07%.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yields Across Issuers (%)



### Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
ICE BofA US 3-Month Treasury Bill Index	1.32	2.63	5.40	3.03	2.16	1.51
ICE BofA 1-Year US Treasury Note Index	1.11	1.95	5.02	1.80	1.69	1.36
Bloomberg U.S. High Yield Corporate Bond Index	1.09	2.58	10.44	1.64	3.92	4.31
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.87	1.13	4.84	0.38	1.03	1.43
Bloomberg U.S. TIPS Index	0.79	0.70	2.71	-1.33	2.07	1.91
Bloomberg U.S. Aggregate Bond Index	0.07	-0.71	2.63	-3.02	-0.23	1.35
Bloomberg Municipal Bond Index	-0.02	-0.40	3.21	-0.88	1.16	2.39
FTSE World Government Bond Index 1-5 Years	-0.06	-1.41	2.43	-2.73	-0.79	-0.78
Bloomberg U.S. Government Bond Index Long	-1.80	-4.99	-5.55	-10.45	-4.24	0.60

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.** Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2024 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2024 ICE Data Indices, LLC. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# Market Perspectives

## VeraBank Wealth Management Commentary

### A Focus on the Fed

- Federal Reserve's Dual Mandate: The two goals of the Federal Reserve are price stability and achieving maximum sustainable employment. The obvious focus and risk of the last few years has been bringing down inflation (price stability). However, the unemployment rate has slowly increased throughout 2024, and recently ticked up to 4.1%.
- Two-sided risks: While still low by historical standards, the Fed is now keeping a closer eye on the unemployment rate than they have in the last few years. The next interest rate move is almost certainly down – but when? If the Fed moves too slowly it could hurt economic activity and unemployment. If they loosen financial conditions too soon, they can hurt the progress they've made on bringing down inflation. The Fed is looking for more good inflation data, so they can be confident the economy is trending toward 2% inflation over the long-term.
- All this to say, the data currently supports the expectation that we're getting closer to the beginning of a rate cut cycle. Given the recent inflation and jobs data over the last several weeks, the market is currently pricing the first quarter-point rate cut in September, and a total of 0.50% of cuts in 2024.

### What's Next?

- Volatility has remained low in equity markets, but there are certainly many variables that could disrupt this relatively smooth ride over the 2<sup>nd</sup> half of the year. Uncertainty around the US presidential election, stubborn inflation, a cooling in the US economy and labor market, and global conflicts – to name a few – could all throw an Olympic-sized hurdle in the way of US indexes continuing to notch all-time highs.
- Given these uncertainties and the recent strong performance of the stock market, it's important to make sure your asset allocation between stocks, bonds, and cash is appropriate for your long-term needs and goals. Our most important job at VeraBank Wealth Management is to partner with you to manage this on an ongoing basis, as markets move, and your goals and needs evolve.

Contact a [VeraBank Wealth Management advisor](#) with any questions or if you know someone who might benefit from our expert advice.

# All-Time Highs

What can we learn from the history of the stock market?

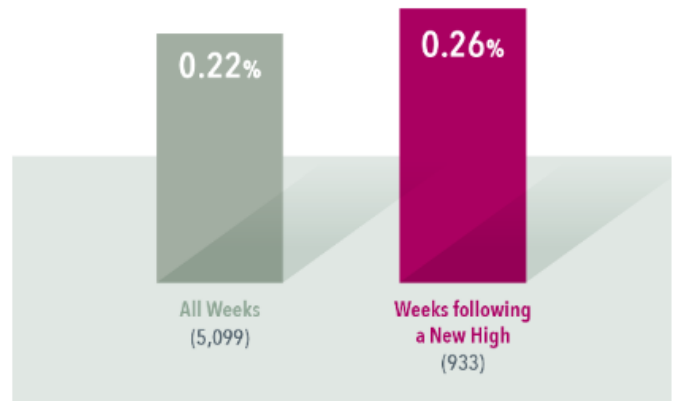
The S&P 500 has closed at a record high 37 times so far in 2024, as the rally in stocks continues. As illustrated at the bottom of the page, the S&P 500 has been within 2% of all-time highs for all of 2024, except for late April/early May.

New highs for stocks are not exactly uncommon. Periodic record setting should be expected for an asset class with high historical average returns. For example, if your home was given a market price daily, it would be no surprise to see many all-time highs – you’d even expect it!

While all investors enjoy the rise in stock prices, it can often lead some investors to wonder whether the rally has gone too far. Is now a good time to be in stocks—or do record levels signal a pending tumble? The historical data should help relieve such concerns.

Since 1926, the US market has ended the week on a new high 933 out of 5,099 weeks, slightly more than one out of every six.

Interestingly, the average return for weeks following these new highs was 0.26%—very close to the average return of 0.22% across all weeks.



Many investors can be guilty of waiting for the other shoe to drop whenever something has gone well. Fortunately, we don’t have to view financial markets that way.

By working with a VeraBank Wealth Management financial advisor to design a balanced investment portfolio, custom-built to each individual investor’s specific needs, our clients are able to capture the gains as the market reaches all-time highs, and still withstand times when volatility increases.





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