VALUES FIRST PLANNING

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More than Money

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LPL Weekly Market Commentary

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Mid Year Update

It's hard to believe we are already halfway to 2024. I hope you all are enjoying the beginning of summer's warm evenings and family get-togethers. I thought I might give an update about what we are seeing in the markets and economy so far, year to date.

Positives

This morning we received the final numbers for the growth of the U.S. economy in the first quarter. The economy grew at 2% - which was much better than what was expected. We also saw continued strength in quarterly corporate profits and consumer spending. These two important factors do not point to a recession.

Unemployment remains very low. According to the U.S. Bureau of Labor Statistics, May unemployment was about 3.7%. This is a very strong number and points to why consumer spending is so resilient.

Bond yields have stabilized. It seems the markets are getting more comfortable with the current interest rate environment. While rates are uncomfortable for mortgages and car loans, they are much improved for CDs, bond portfolios and money markets. This is making overall portfolio management a little easier if you depend on interest from your investments.

And finally, inflation trends are continuing lower. Last year, inflation reached as high as 9%. Since then, we have dropped that number by basically half

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(depending on which measurements you use). And while inflation at any level means stuff is still getting more expensive, we are approaching a level we can live with. The Fed has targeted a Core Price Inflation (CPI) number of 2%. That may take another year plus to achieve. But the progress over the last six months has been very constructive.

Challenges

When the Fed raises interest rates, it makes borrowing more expensive. This slows the economy down – and hopefully inflation as well. But we are starting to see lending to businesses slow down. We are also seeing more financial stress on businesses. This slowing doesn't have to mean a recession is imminent – but it is worth watching over the coming quarters.

One of the outcomes of high inflation was that many consumers burned through their savings and/or stimulus money to cover higher costs. With savings depleted, people are shifting to credit cards and racking up debt. We will have to watch to see if consumer spending slows in the coming quarters or remains resilient.

And finally, with all the work-from-home activity in the last two years, the vacancies in commercial office spaces have created significant concerns for the value of commercial real estate. While not a huge percentage of the overall economy, this is another place we are watching for potential additional economic stress.

Overall, the direction over the last several months has been positive. This feels like an economy trying to get its footing back. We will continue to monitor and adjust portfolios as conditions develop. If there is any way we can help you adjust to any of these economic changes, let us help!

Do I Need an Estate Plan?

In this episode, Jeff and John are joined by Linda King, an attorney with more that 40 years of experience helping people answer common questions. Listen now for an overview of estate planning!

Click **here** to listen.

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