



# SAM NEWS

2nd Quarter 2024 Report  
July 2024

## Gains, Continued The Unloved Stock Market Rally

*2024 has had the best start to an election year in history with the broad S&P 500 setting more than 25 new all-time highs. There's a lot for investors to like about the prospects for additional stock gains. The economy is expanding, not contracting. Inflation is moderating, albeit not in a straight line. The labor market is strong, defying expectations that it would be weakening by now. The Fed's tightening cycle is over, and the next policy moves likely include rate cuts and a slowdown in quantitative tightening. Government spending will continue to stimulate the U.S. economy, especially headed into November's election. Corporate earnings are growing, and profit margins are fat. Additionally, consumers are still spending generously on goods and services. As a result, it's difficult to envision anything too apocalyptic disrupting capital markets over the next few quarters. Please read on for our SAM Outlook and SAM Strategy on the following pages.*

### 2nd Quarter 2024 INVESTMENT REPORT

*The broad S&P 500 Index ended the second quarter up 15.3% year-to-date, very near all-time highs. The tech heavy Nasdaq Composite added 8.3% for the quarter and is up 18.1% so far this year- led by the "Magnificent 7." Small company stocks as represented by the Russell 2000 were down 3.3%, while the DOW 30 declined 1.3% for the quarter. International stocks as measured by the MSCI EAFE Index also declined 1.4% for the quarter, but are still positive year-to-date. The Barclays Capital Aggregate Bond Index gained just 0.1% for the quarter.*

### INVESTMENT INDICES

All numbers listed are total returns (including dividends) and are percentage gains or losses.

	YTD	2nd Quarter	2023
Dow 30	4.8%	-1.3%	16.2%
S&P 500	15.3%	4.3%	26.3%
Nasdaq Composite	18.1%	8.3%	43.4%
Russell 2000	1.7%	-3.3%	16.9%
MSCI EAFE (Int'l stocks)	3.5%	-1.4%	15.0%
Bloomberg U.S. Aggregate (Bonds)	-0.7%	0.1%	5.5%

*\*\*These are not the rates of return for SAM accounts, but are shown as a historical benchmark for various asset classes. SAM does not guarantee account performance. Accounts may lose value. Information taken from sources believed to be reliable, but its accuracy cannot be guaranteed.\*\**

### Interest Rates

You've likely seen phrases like "higher for longer" thrown around in news headlines. What it really means is that interest rates may stay around 5.5% for some time. It doesn't mean that rates are high by historical standards — because they're not. Interest rates only appear "higher" today because they were near 0% for most of the past 15 years. It's unlikely we'll see rates that low again- not because it's impossible, but because history says 0% rates aren't average or normal. Over the past 70 years, rates have averaged about 6%, slightly higher than where we are now. So instead of thinking we might get 0% interest rates soon, look at it this way: rates are likely to be "average for longer." And if one day we do get to ultra-low interest rates again, remember- it's a gift, not the norm.

### Upcoming Stock Market Holidays

Labor Day, September 2nd

## SIERRA ASSET MANAGEMENT

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*We sincerely appreciate your continued trust and confidence. If you know of someone who may benefit from our service, please pass along our contact information. As always, there is no cost for an initial consultation.*

**SAM Outlook and Strategy on the following page.**



Just one short year ago in our second quarter 2023 newsletter we announced the start of a new bull market in stocks- defined as a gain of 20% or more in an index. The current economic expansion, which started with a very swift rebound from the pandemic recession in April 2020, has now entered its fifth year. After a negative April, stocks have since continued their record gains this quarter in response to strong earnings growth and earnings surprises. If this trend continues, all 11 S&P 500 sectors could see earnings grow on a year-over-year basis by the fourth quarter, a feat that has not been achieved since the second quarter of 2021. Analysts now predict a 10.1% increase in S&P 500 earnings for this year, with expectations of 13.9% growth in 2025 and 11.8% in 2026, signaling a more positive outlook for corporate earnings. As we always say, stock prices are driven by corporate earnings therefore the outlook for stock returns remains strong.

Overall, the slowdown in growth and inflation has been delayed in 2024, somewhat frustrating Fed officials who expected a swifter moderation. However, with solid economic growth, low unemployment and most of the journey back toward the 2% inflation goal completed, the U.S. economy should continue to provide a solid investing environment for the rest of this year and into 2025.

After a strong finish to 2023, bonds have had flat to negative year-to-date total returns so far this year. As markets repriced Fed rate cuts, interest rate volatility has remained elevated. While this backdrop of higher interest rate volatility and policy rate uncertainty has weighed on bond market performance this year, the adjustment higher in interest rates has dramatically improved the current income from owning bonds. Higher current yields should offset bond price losses if interest rates move modestly higher from here. We remain very positive on our outlook for future bond returns- we have locked in these higher yields and when the Federal Reserve reduces interest rates bond prices should rise.

## SAM STRATEGY

The market is now up around 15% in 2024 and almost 25% in the past 12 months. It might seem like the market has climbed too far, too fast. That is, until you consider just how long bull markets last. Since 1957, the average bull market has lasted almost 6 years. Compare that to where we are today- investors just celebrated the one-year anniversary of the current bull market. So, if today is anything like the past, the market may have more room to grow over the next few years. That isn't to say the market can't go down over the next day, week, or month- because it can. But don't let that worry you. We have our clients invested in long-term, diversified portfolios and continue to take advantage of the potential upside ahead.

Year-to-date we have only made minor adjustments to our investment allocations. We have been receiving quite a few inquiries about individual artificial intelligence (AI) stocks from clients lately. Our client portfolios already have a sizable exposure to these AI stocks in our core U.S. large cap holdings and also through our Nasdaq 100 exposure. Certain AI stocks have quadrupled in value over the last year and the future growth may not live up to the hype, so we feel that there may be a decent correction in this sector at some point in the future. We still prefer our diversified approach to maintain exposure to this area of the technology space.

## Trade Settlement

When you buy or sell securities in a brokerage account, "settlement" refers to the official transfer of securities to the buyer's account and the cash to seller's account. Since 2017, the settlement cycle – the time between the transaction date and the settlement date – for most securities transactions has been two business days – often referred to as "T+2." Under "T+2," if you sold shares of ABC stock on Monday, the transaction would settle on Wednesday.

On May 28<sup>th</sup>, the settlement cycle has now been reduced to one business day or "T+1." Under the new "T+1" settlement cycle, all applicable securities transactions from U.S. financial institutions will settle in **one business day** of their transaction date. For example, if you sell shares of ABC stock on Monday, the transaction will settle on Tuesday. The shortened settlement period is good news for investors and means that cash from trades will generally be available the following day for any clients desiring to withdraw from their Charles Schwab accounts for any reason.

## Annual Review Appointments

We are continually setting in-person, telephone and Zoom online client review appointments. If we have not gotten together this year and you would like to set an appointment, please call our office toll-free at 877-658-5193 and we will schedule with you right away.

## Alan Graas' Celebration of Life

Alan's celebration of life will be held Saturday, July 13, at 10 a.m. Pacific at the Episcopal Conference Center- Oakhurst (ECCO) in the outdoor chapel (43803 California 41, Oakhurst, CA 93644). Appetizers and refreshments will be served. You can RSVP by visiting this website: <https://everloved.com/life-of/alan-graas/funeral/>