LOUISVILLE CAPITAL ADVISORS OF RAYMOND JAMES®

Louisville Capital Advisors
Current Thinking – Second Quarter 2024

Positives:

1) The US LEI (Leading Economic Indicators) rose in February for the first time in two years. The increase was small, but it reversed a long-term downtrend.
2) The S&P 500 closed strongly to end the first quarter, up over 10.5%. This comes after an impressive market rally in November and December to close out 2023.
3) The economy has remained strong in the face of higher rates, driven in part by an undersupplied labor market, which is supportive to the market's earnings outlook.
4) Residential real estate construction and new home sales remain robust due to a lack of supply in the housing market.
5) Declining crop prices are helping to alleviate inflationary pressures by taking a smaller share of Americans paychecks. Lower food prices allow for more discretionary spending, which is supportive to economic growth and the Fed's dual mandate.

Negatives:

1) After touching a low of approximately 3.8%, the 10-year US Treasury yield has moved above 4.3% as of this writing. This has caused mortgage rates to once again trend higher.
2) The rally in the S&P 500 has the current price-to-earnings ratio above 23. This is high by historical standards and could mean we are closer to a pullback in the equity markets.
3) The price of gold, copper, oil, and other commodities have moved higher in the last two months. This could lead to upward pressure on inflation that the Federal Reserve is still fighting.
4) A soft landing is becoming the consensus estimate for the economy, which could breed complacent behavior on the part of investors.
5) Consumer spending has remained strong but is unsustainable. Credit card delinquency rates are on the rise and higher interest rates have made it tougher for lower-income households.

Considerations

1) Do not try to time the markets and/or trade around events (elections, conflicts, etc.). Stick to your long-term strategy, and do not be afraid to take profits to make sure your risk tolerance is in line with your equity exposure.
2) Bond yields remain at their highest levels in well over a decade, giving investors an opportunity to continue to lock in these current interest rates for many years to come.
3) Be mindful of fraudulent schemes and cyber security threats. Artificial Intelligence has only increased the frequency and sophistication of these occurrences.
4) Consider using gains in the equity market to pay off unwanted debt like credit cards, boat/car loans, and/or margin debt.
5) Consider revisiting estate planning strategies if completed more than five years ago or if significant life events have occurred.