Raymond Capital Advisors, LLC

July 21, 2024

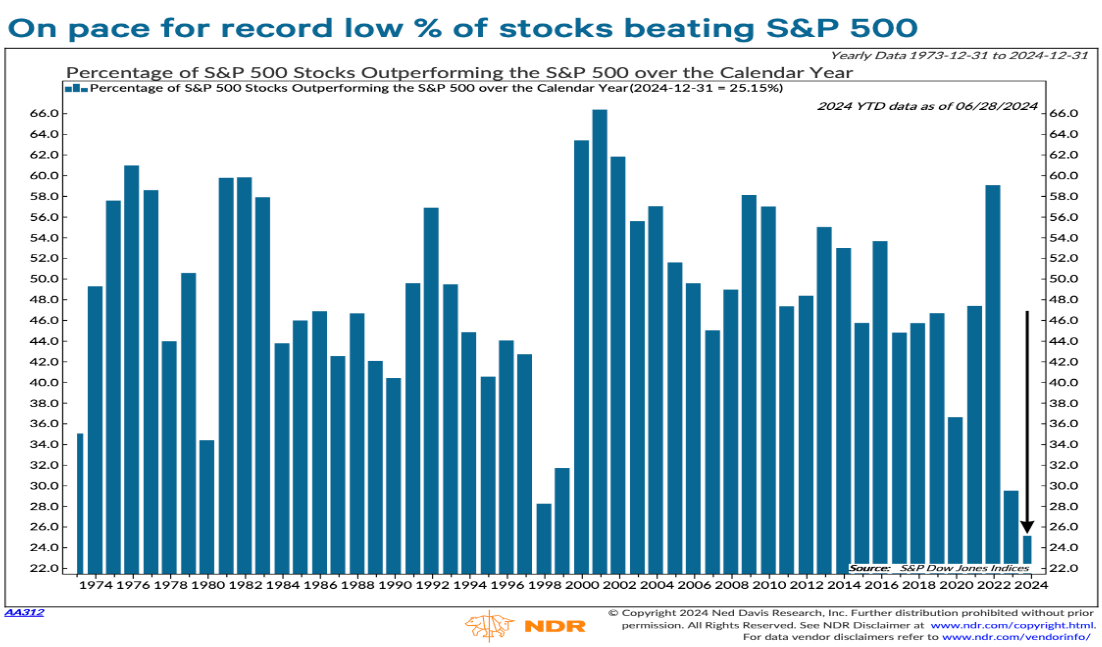
Stock & Bond Benchmark Total Returns (%) For Periods Ending June 28, 2024					
	QTR	1-Year	3-Years	5-Years	10-Years
Standard & Poor's 500	4.28	24.56	10.01	15.05	12.86
Bloomberg Barclays U.S. Aggregate Bond	0.07	2.64	-3.02	-0.23	1.35
60% Stocks / 40% Bonds TAA Composite Index	2.60	15.43	4.84	9.01	8.38
3-month Treasury Bills	1.15	4.77	2.98	2.02	1.44
Inflation (CPI)	0.59	2.97	4.96	4.17	2.80

Returns (%) include capital gains, dividends and interest. All data **annualized** for periods greater than one year.

60% Stocks / 40% Bonds TAA Composite Index is rebalanced monthly. Sources: S&P Dow Jones Indices, Morningstar, Federal Reserve.

Review: Few Winners Beyond the "Magnificent Seven" Stocks

For Q2 2024, the Standard & Poor's 500 Stock Index Total Return gained 4.28%. This marks the third consecutive positive quarter for stocks and the 13th positive quarter out of 17 (77%) since the post-pandemic bull market began. Despite the S&P 500's impressive streak, the stock market has become increasingly bifurcated. Notably, the "Magnificent Seven" (Mag-7) group of stocks[1], which are closely associated with the popular Artificial Intelligence (AI) theme, were responsible for 109% of the S&P 500's return during the quarter. This figure exceeds 100% because many other stocks experienced declines. By the end of the quarter, the Mag-7 accounted for a third of the Index's weight. And as a result, leadership has been extremely narrow, with only 25% of stocks outperforming the Index year-to-date, and making active portfolio selection efforts challenging (chart below).



[1] "Magnificent 7" stocks: AAPL, AMZN, GOOGL, META, MSFT, NVDA, TESLA

5827 Driftwood Place Sarasota, FL 34231 Email: raymondcapitaladvisors@gmail.com Cell: 941-504-1842

Bonds delivered a flat performance for the quarter. Although inflation has continued to trend downward, concerns over federal deficits have likely weighed on longer maturity fixed-income securities. Nonetheless, with the iShares Core U.S. Aggregate Bond ETF currently yielding 4.59%, and considering that bonds can often help mitigate drawdowns in equity portfolios during unexpected stock market declines, they play an important role in managing portfolio risks.

Outlook: Recent Events Favor a Shift Towards SMID Cap & Value Stocks

Earnings growth continues to support stocks, though analysts have slightly adjusted their expectations. For the S&P 500 Index, earnings growth estimates for 2024 have been reduced by about one percentage point, while estimates for 2025 have increased by two percentage points (2024: +11.9%, 2025: +15.7%). Recent developments, however, have been favoring a potential shift towards small and mid-cap (SMID) stocks and Value stocks.

Valuation Concerns with Mag-7: The recent run-up in the "Mag-7" stocks over the past year has led to their stretched valuations compared to the broader market, and particularly smaller-cap stocks. The average forward P/E ratio at the end of the quarter for the Mag-7 was 41x, significantly higher than the S&P 500's forward P/E ratio of 21x. In contrast, the small-cap S&P 600 has a forward P/E ratio of 15.5x, marking the widest valuation gap since the 2000 Tech bubble.

Increased Interest Rate Sensitivity: The latest CPI inflation report (July 11th) has bolstered investor expectations that the Federal Reserve may soon reduce interest rates. Analysis also indicates that small-cap stocks have grown more sensitive to interest rate changes compared to large-cap stocks over the past year. This heightened sensitivity was evident in the trading week following the CPI report, where the small-cap Russell 2000 Index surged by +9.28%, while the S&P 500 dipped by -0.81%, and the average Mag-7 stock fell by -7.09%.

Improving Breadth: Recent breadth metrics, such as the number of stocks advancing versus declining, have also shown "thrust" conditions, which historically signal positive trends for the broader market. Much of the recent improvement in small-caps may have been exacerbated by technical hedge fund short covering in Russell 2000 futures. However, the combination of stretched valuations for the Mag-7, ongoing economic growth, and potential Fed rate cuts creates a favorable macro environment for small and mid-cap stocks, as well as Value stocks, to take the lead**. If these trends continue, the shift away from the concentrated leadership of the Mag-7 towards greater market dispersion would be good news for active portfolio selection efforts.**

Thank you for your continuing support,

Geoff & Lance
Raymond Capital Advisors, LLC
A Retirement Wealth Advisor

investment advisory or other services to any person in any jurisdiction by Geoffrey P. Raymond, CFA®, Lance J. Stonecypher CFA®, RMA® or Raymond Capital Advisors, LLC. Nothing contained in this market commentary constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed in this commentary should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this commentary, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information. Any views expressed by us were prepared based upon the information available at the time and we are under no obligation to review or update our views. Changed or additional information could cause such views to change. Information may quickly become unreliable for various reasons, including changes in market conditions or economic circumstances. Investors should carefully consider the investment objectives, risks, charges and expenses of Raymond Capital Advisors strategies. This and other important information about our Strategies are contained in our brochure, which can be obtained by calling (941) 504-1842 or emailing us at raymondcapitaladvisors@gmail.com.