MarketWise

WHAT JUST HAPPENED? SECOND QUARTER/JUNE 2024

By David J Brunswick III

It's hard to believe 2024 is already halfway over. As we head into Independence Day and wrap up the second quarter of the year, here are a few recent developments worthy of your attention.

INDEX	YTD	12 MO.
S&P 500	+14.48%	+22.70%
Dow Jones	+3.79%	+13.69%
NASDAQ	+18.13%	+28.61%
Russell 2000	+1.02%	+8.42%

As of Market Close 6/28/2024 Source: Yahoo Finance Charts

AI and Nvidia driving All-Time Highs

All three major indexes continue to record all-time highs this year, which has been driven by insatiable investor demand for AI-based technology. Nvidia is still the clear front-runner, as even with some volatility at the end of June following a 10-for-1 stock split at the beginning of the month, the stock has gained 154.64% year-to-date, and has jostled with Microsoft for the title of "world's most valuable company" by market cap. Although many of this year's gains have been concentrated in the tech sector or amongst the so-called Magnificent Seven (Microsoft, Amazon, Meta, Apple, Google, Nvidia, and Tesla), the Communications sector has outperformed the Tech sector, gaining 18.57% year-to-date vs 17.39%. In fact, the only sector of the market negative for the year is Real Estate (-4.29%). **(1, 2, 3)**

Federal Reserve Leaves Rates Unchanged

The Federal reserve had their latest meeting June 11-12, and to no one's surprise left interest rates unchanged. As inflation has remained sticky and the US economy has remained resilient, the Fed changed their projections for rate cuts in 2024 to just one penciled in for the end of the year, while updating 2025's projections to include 3 cuts rather than 2. Somewhat unexpectedly, the market has shrugged off this news. Perhaps the consistent messages about "higher for longer" rates have finally baked these expectations in, causing a little less volatility. Perhaps Wall Street expected to hear of 4 cuts through 2025 and the timing of said cuts is becoming less important than continued reassurance that they are coming. **(4)**

Inflation Still Too High, Economy Chugging Along

Supporting the "high-for-longer" argument, inflation data continues to come in higher than desired, but clear progress has been made. Data

released by the U.S. Bureau of Labor Statistics in May showed the Consumer Price Index (CPI) was unchanged month-over-month from April to May, and 3.3% year-over-year. Core CPI, which strips out the volatile food and energy categories, rose 3.4% vs an expected 3.5%. Compare this to the 9.1% year-over-year numbers from June 2022, and it's clear the Fed's tightening campaign has been working, albeit slowly. The conditions still exist for the Fed to achieve their "soft-landing" scenario (a reduction in inflation via high interest rates without an accompanying recessionary environment). The unemployment rate has crept up to 4.0% and GDP growth is projected to slow over the next couple of quarters; while on the flip side, most months have seen more jobs added to the economy than expected this year, including an additional 272,000 in May, and wage growth has been solid at 4.1% year-over-year in the latest data. Other economic and consumer health measures that have shown resilience but are also cooling in recent months include consumer spending and sentiment, producer prices, and overall corporate earnings. **(5, 6, 7, 8)**

Looking Ahead

The markets will likely continue to show increased volatility around economic data and Federal Reserve president's speeches and subsequent rate decisions and meetings (the next rate committee meeting is scheduled for July 30-31). History says the next month could potentially be another good one for US equities: July has been a positive month for the Nasdaq index for 16 straight years, averaging 4.64% each year. The S&P 500 has been on a recent July winning streak as well, with 9 straight years of gains averaging 3.66% per year. According to the same research from Goldman Sachs, since 1928, the S&P 500 shows positive returns over 72.41% of the time on July 3rd, the highest "hit rate" of the year. The second highest hit rate is July 1st, going positive 72.06% of the time. **(9)**

Some big corporate earnings to watch for in July is 6 of the aforementioned Magnificent 7 (all but Nvidia), JP Morgan, Visa, UnitedHealth, Netflix, and Coca-Cola. **(10)**

Any perceived weakness among the big tech companies and AI-darlings, especially Nvidia, could put downward pressure on the markets. Continued war in Ukraine and between Israel and Hamas infuses additional geopolitical uncertainty into the markets. While we do not expect upcoming elections to have much impact on the markets, election season always poses some political risk, along with what's usually a short period of volatility pre-and-post election. Even without these risks, we also caution we could be due for a market correction (-10% or more from a previous high) at any time after such a strong run over the past 12-18 months.

Overall, we think this current bull market still has room to run as inflation continues to moderate and we approach our first (and maybe only) rate cut of the year. We hope all of you enjoy(ed) your Fourth of July holiday and look forward to navigating the second half of 2024 together.

GENERATIONAL PLANNING STRATEGIES

GIFT TAXES: FREQUENTLY ASKED QUESTIONS

Who pays the gift tax?

The donor is generally responsible for paying the gift tax. Under special arrangements the donee may agree to pay the tax instead. Please visit with your tax professional if you are considering this type of arrangement.

What is considered a gift?

Any transfer to an individual, either directly or indirectly, where full consideration (measured in money or money's worth) is not received in return.

What can be excluded from gifts?

The general rule is that any gift is a taxable gift. However, there are many exceptions to this rule. Generally, the following gifts are not taxable gifts.

1. Gifts that are not more than the annual exclusion for the calendar year.

2. Tuition or medical expenses you pay for someone (the educational and medical exclusions).

3. Gifts to your spouse.

4. Gifts to a political organization for its use.

In addition to this, gifts to qualifying charities are deductible from the value of the gift(s) made.

GENERATIONAL PLANNING STRATEGIES

CONTINUED:

May I deduct gifts on my income tax return?

Making a gift or leaving your estate to your heirs does not ordinarily affect your federal income tax. You cannot deduct the value of gifts you make (other than gifts that are deductible charitable contributions). If you are not sure whether the gift tax or the estate tax applies to your situation, refer to Publication 559, Survivors, Executors, and Administrators.

How many annual exclusions are available?

The annual exclusion applies to gifts to each donee. In other words, if you give each of your children $18,000 in 2024, the annual exclusion applies to each gift.

What if my spouse and I want to give away property that we own together?

Each spouse is entitled to the annual exclusion amount on the gift, so a couple can give up to $36,000 ($18,000 per spouse) to each donee in 2024.

If you have further questions, or would like assistance on giving, please contact us. We would love to help!

SOURCE:

https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes

Disclosures

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References

What Just Happened?

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2) **U.S. News and World Report (https://money.usnews.com/investing/articles/magnificent-7-stocks-explainer)**
3) **Koyfin Charts 6-26-2024**
4) **The Federal Reserve (https://www.federalreserve.gov/newsevents/pressreleases/monetary20240612a.htm)**
5) **U.S. Bureau of Labor Statistics (https://www.bls.gov/cpi/)**
6) **Forbes (https://www.forbes.com/advisor/investing/current-inflation-rate/)**
7) **JP Morgan (https://www.jpmorgan.com/insights/outlook/economic-outlook/jobs-report-may-2024)**
8) **U.S. Bureau of Labor Statistics (https://www.bls.gov/news.release/pdf/empsit.pdf)**
9) **Markets Insider (https://markets.businessinsider.com/news/stocks/stock-market-outlook-july-best-days-of-year-equity-performance-2024-6)**
10) **Markets Insider (https://markets.businessinsider.com/earnings-calendar)**

WHO WE ARE

Kingdom Financial Services is a full-service, family owned and operated, Christian rooted financial firm located in Wake Forest, North Carolina. We are associated with G.A. Repple & Company, which is a prominent Christian owned Broker/Dealer in the Southeast. We are trained Planned Giving Consultants with expertise in the areas of investment and financial insurance products and services.



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