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## *Letter from Dan*

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Good timing to reach out to you to give our thoughts on the markets! We have had a couple of weeks of stock market volatility, and this has made investors nervous. The S&P 500 is down about 5% since high levels in mid- July and the tech heavy NASDAQ is down around 10%.

Let's step back and look at recent history. We've seen this pattern before, and it's happened more often than you might think:

- April this year: S&P 500 down more than 5 percent—and bounced back
- July through October last year: S&P 500 down more than 10 percent—and bounced back
- August through October 2022: S&P 500 down almost 16 percent—and bounced back

In fact, in each of the past couple of years, we have seen a substantial dip—often right around July or August—followed by a market rebound. This current situation looks like the latest in a series of similar events we have seen before. While there are many contributing reasons for the recent market decline, I think that this most recent pullback is from investors selling to take profits from the big run up since the beginning of the year. This will set the stage for another possible run to the upside as the year continues.

As investors sold stocks, they bought into longer term bonds. When there are many buyers at the auction, rates will fall. A month ago, the 10-year US Treasury was at 4.30%, fell to 3.78% last week and now is about 4.0%. Anyone holding bonds would have seen their accounts rise as a result. I expect the 10-year rate to level off here for now.

Speaking of interest rates, the Fed has given big signals that they intend to begin to lower interest rates at their September meeting. We expect them to lower rates by 0.25% and again possibly in November by the same amount. Inflation is still above the Fed target of 2%, but the economy is slowing, the unemployment rate is slowly rising, and it seems like a good time to take the foot off the brakes a little. We expect more rate decreases in 2025, which could be a positive for stocks. It will mean that money market rates will fall, and we already see bank CD rates reduced.

Other points to note- consumers are beginning to slow down their purchases and unemployment has ticked upward just a tiny amount. Neither of these create a big concern for us but are worth watching. Another reason for the Fed to begin lowering rates, to stimulate the economy. Mortgage rates have fallen since April, but not enough to move the market.

There are plenty of concerns in the U.S. and globally that weigh on investors, but history suggests markets tend to recover. July and August are typically among the weakest months for stock market performance, so a summer pullback isn't really a surprise. For investors, here's the key takeaway: Market dips are normal, even if they're unsettling every time they happen. But with each past pullback we had similar worries—and markets recovered. This, too, will pass. The best course of action remains simply this: keep calm and carry on.

Dan



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