

6-Month Market Review

(as at June 30, 2024)



Tech Surge Amid Economic Shifts

Latest Developments

- **Global Markets Rise:** The MSCI World Index delivered an outstanding 13.5% return since the start of the year, indicating strong confidence in global equities despite policy uncertainties. US stocks spearheaded this rise with a 15% surge in the S&P 500 Index year-to-date.
- **Tech Sector Dominance:** The impressive market performance was primarily driven by significant gains in Big Tech stocks, especially those involved in artificial intelligence (AI). Notably, Nvidia, Apple, and Microsoft collectively drove over 90% of the market's gains in the second quarter.
- **Federal Reserve's Stance:** The US Federal Reserve ("the Fed") maintained a cautious tone at its June meeting, suggesting only one rate cut is likely in 2024 despite weakening US economic data since early May. This conservative approach disappointed markets hoping for more aggressive rate cuts to stimulate economic growth.
- **Strong US Corporate Earnings:** US companies reported robust earnings in Q1 2024, with S&P 500 Index earnings increasing by 11% year-over-year. This growth was led by the "Magnificent Seven" tech companies, which saw their earnings surge by over 50% year-over-year.

What this Means

- **Economic Stability:** The overall economic framework remains strong, underpinned by healthy business investments and continued job creation. These factors mitigate concerns about potential downturns and support a cautiously optimistic outlook for the rest of the year.
- **Inflation Moderation:** Central banks aim for a soft landing for their economies, with inflation rates gradually moderating. For example, US core personal consumption expenditures (PCE) inflation has decreased to 2.6% from a high of 5.6%, showing progress towards the Fed's 2% target.
- **Market Dynamics:** The concentration of gains in a few tech giants can lead to increased market volatility. While these companies have driven significant growth, reliance on a small group of stocks could cause greater market fluctuations if these behemoths face operational or financial setbacks. Investors should be aware of this concentration of risk and consider diversifying their portfolios to mitigate potential volatility.