To our First National Wealth Management Clients:

The second quarter was characterized by significant volatility in domestic markets, driven by a variety of factors including economic data releases, geopolitical tensions, and monetary policy shifts. Despite these challenges, it's essential to maintain a long-term perspective when navigating the ups and downs of the market.

In times of market turbulence, it can be tempting to react emotionally and make impulsive decisions regarding your investments. However, history has repeatedly shown that staying invested, even during periods of poor equity markets, is crucial for long-term wealth accumulation. Here are a few reasons why:

1. **Time in the Market vs. Timing the Market**: Trying to time the market by predicting when to buy or sell based on short-term fluctuations is notoriously difficult. Investors who stay the course and remain invested benefit from the power of compounding returns over time.
2. **Dollar-Cost Averaging**: Regularly investing a fixed amount regardless of market conditions through dollar-cost averaging allows investors to buy more shares when prices are low and fewer shares when prices are high. This strategy reduces the impact of market volatility on your portfolio.
3. **Recovery and Growth Potential**: History shows that markets have recovered from downturns and gone on to new highs. Selling during a downturn locks in losses and may cause investors to miss out on potential future gains when markets recover.
4. **Asset Allocation and Diversification**: A well-diversified portfolio spread across different asset classes (stocks, bonds, real estate, etc.) can help mitigate the impact of volatility on your overall investment returns. Regularly rebalancing your portfolio ensures that it stays aligned with your risk tolerance and investment goals.

As we look at the current domestic market landscape, it's important to note that while there have been fluctuations, there are still opportunities for growth. Technology, healthcare, and renewable energy sectors continue to show promise, driven by innovation and changing consumer preferences.

The Federal Reserve's monetary policy decisions remain a key driver of market sentiment. As interest rates and inflation expectations evolve, investors should stay informed and adjust their portfolios accordingly.

In conclusion, navigating volatile markets requires discipline and a focus on long-term goals. Rather than reacting to short-term movements, staying invested and maintaining a diversified portfolio can help investors weather market storms and capitalize on opportunities for growth.

Remember, investing is a journey, and consistency, patience, and a long-term outlook are essential for achieving financial success. As always, consult with our team to ensure your investment strategy aligns with your individual goals and risk tolerance.

Thank you for your continued trust and confidence in our investment insights. We look forward to navigating the markets ahead together.

Warm regards,

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WEALTH MANAGEMENT

Quarterly Market Review: April-June 2024

The Markets (second quarter through June 28, 2024)

Wall Street got off to a slow start to begin the second quarter of 2024. Stocks lagged for much of April, rebounded in May, and were choppy in June. Investors spent the quarter watching economic data, trying to gauge whether the Federal Reserve might lower interest rates. In April, investors were discouraged by the unexpected rise in inflation, which dampened hopes of several interest rate decreases during the year. However, the latest economic data gave some indication that inflationary pressures may be scaling back. The personal consumption expenditures (PCE) price index for May rose at its slowest pace since March 2021. Nevertheless, lowering price pressures has been a slow process and inflation could push higher again. In response, the Federal Reserve has remained cautious in its assessment of inflation going forward and will look for more concrete data confirming downward price pressures before loosening its restrictive monetary policy. Several indexes reached new records throughout the quarter. The S&P 500 and the Nasdaq closed out the quarter at new highs, marking the 32nd record close of the year for the S&P 500 and the 21st for the Nasdaq. Among the market sectors, information technology outperformed, gaining 14.5% in the quarter, followed by communication services, and utilities. Materials, industrials, and real estate lagged. Rising bond yields weighed on prices, with the yield on 10-year Treasuries closing the quarter up nearly 15.0 basis points from the end of the first quarter, while the yield on the 2-year note ended the quarter about where it began. Corporate earnings got off to a good start for the year, with first-quarter earnings exceeding analyst expectations for the fifth consecutive quarter. Roughly 78.3% of S&P 500 companies reported earnings that beat expectations, as companies in consumer staples, financials, health care, real estate, and communication services bested their prior four-quarter average.

Gold rose more than 4.0% in the second quarter and nearly 13.0% in 2024 as anticipated interest rate cuts by central banks supported trading precious metals. In addition, higher demand for gold by several Asian central banks, particularly the People's Bank of China, helped lift the price of gold, which reached a record high of $2,450 per ounce in May. Crude oil prices dipped about $1.75 per barrel by the end of the first quarter. Prices on March 28 were $83.17 per barrel, dropping as low as $74.07 per barrel in early June, and settling at about $81.51 per barrel on the last business day of June. However, fears that the unrest in the Middle East will escalate, coupled with a cut in production, could drive prices higher through the remainder of the year. The retail price for regular gasoline was $3.438 per gallon on June 24, $0.139 below the price a month earlier and $0.085 less than the price March 25 estimate. Regular retail gas prices decreased $0.113 from a year ago. The U.S. dollar ended the quarter trading at its highest price since November 2023. Home mortgage rates began the quarter at about 6.82% for the 30-year fixed rate, according to Freddie Mac. Rates jumped as high as 7.03% at the end of May, ultimately settling at 6.86% on June 27.

April saw stocks get off to a slow start as progress toward reducing inflation took a step back, heightening concerns that interest rates would remain higher for longer. Each of the benchmark indexes listed here ended the month in the red, with the S&P 500 suffering its first monthly loss in the last six months. Small-cap stocks were particularly hit hard, dragging the Russell 2000 down by over 7.0%, which caused that index to fall into negative territory since the beginning of the year. Ten of the 11 sectors of the S&P 500 recorded losses, with the exception of utilities, which eked out a marginal gain. The bond market also struggled in April, with the yield on 10-year Treasuries climbing 48 basis points, reaching its highest level since October. First-quarter earnings season kicked off in April and saw reports come in modestly above expectations. Investors paid particular attention to economic reports and the response from the Federal

Key Dates/Data Releases

7/1: S&P Global Manufacturing PMI

7/2: JOLTS

7/3: S&P Global Services PMI, International trade in goods and services

7/5: Employment situation

7/11: Consumer Price Index, Treasury budget statement

7/12: Producer Price Index

7/16: Retail sales, Import and export prices

7/17: Housing starts, industrial production

7/23: Existing home sales

7/24: New home sales

7/25: Durable goods orders, International trade in goods, GDP

7/26: Personal income and outlays

7/30: JOLTS

7/31: FOMC meeting statement

Reserve. Reports released in April revealed 315,000 new jobs added in March. The PCE price index rose 0.5% in March, while the Consumer Price Index (CPI) climbed 0.4%. Industrial production edged higher. The housing sector produced mixed results in March, with sales of existing homes falling, while new home sales advanced.

In May, equity markets rebounded from a moribund April, with each of the benchmark indexes listed here making notable gains. The Dow, the Nasdaq, and the S&P 500 reached all-time highs during the month. Tech shares outperformed, while energy declined with falling crude oil prices. Over half of the S&P 500's nearly 5.0% May gain was attributed to growth of four mega tech stocks. Investors also saw economic signs that might support an interest rate reduction. Job growth was weaker than expected. First-quarter GDP lagged to 1.3% growth. April's PCE price index (excluding food and energy prices) advanced 2.8%. April's CPI rose 0.3%, while retail sales were weaker than expected. Corporate earnings for the first quarter were favorable, as 78% of reporting S&P 500 companies beat earnings per share (EPS) estimates. Companies in the communications services sector had a growth rate of 34%, beating the other ten market sectors. Prices at the pump fell in May from April. The dollar fell nearly 1.6%, the first monthly decline in the last five months.

June proved to be a month full of ups and downs for stocks. The month began with each of the benchmark indexes listed here posting gains (with the exception of the Russell 2000). A robust jobs report helped alleviate concerns about an economic slowdown, although it bolstered the Fed's hawkish stance. Through the middle of June, tech stocks, particularly AI holdings, carried the market. Unfortunately, the rally came to a halt at the end of the month. Nevertheless, stocks closed June higher than it began, with several of the benchmark indexes closing in the black, with the exception of the Russell 2000 and the Global Dow, which closed the month lower. Most of the market sectors outperformed, with information technology and consumer discretionary leading the way. Utilities, materials, and energy were the only sectors to close in the red.

Stock Market Indexes

Market/Index	2023 Close	As of June 28	Monthly Change	Quarterly Change	YTD Change
DJIA	37,689.54	39,118.86	1.12%	-1.73%	3.79%
Nasdaq	15,011.35	17,732.60	5.96%	8.26%	18.13%
S&P 500	4,769.83	5,460.48	3.47%	3.92%	14.48%
Russell 2000	2,027.07	2,047.69	-1.08%	-3.62%	1.02%
Global Dow	4,355.28	4,677.14	-0.76%	0.02%	7.39%
fed. funds target rate	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps	0 bps
10-year Treasuries	3.86%	4.34%	-17 bps	14 bps	48 bps
US Dollar-DXY	101.39	105.88	1.21%	1.27%	4.43%
Crude Oil-CL=F	$71.30	$81.51	5.54%	-1.87%	14.32%
Gold-GC=F	$2,072.50	$2,335.00	-0.57%	4.02%	12.67%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Latest Economic Reports

- **Employment:** Total employment increased by 272,000 in May, following a net downward revision over the previous two months. The May jobs increase was well above expectations. Employment trended up in health care, government, leisure and hospitality, and professional, scientific, and technical services. In May, the unemployment rate increased 0.1 percentage point to 4.0% and was 0.3 percentage point above the rate from a year earlier (3.7%). The number of unemployed persons was relatively unchanged at 6.6 million. In May, the number of long-term unemployed (those jobless for 27 weeks or more), at 1.4 million, accounted for 20.7% of all unemployed people. The labor force participation rate, at 62.5%, was 0.2 percentage point below the prior month's estimate, while the employment-population ratio dipped 0.1 percentage point to 60.1% in May. In May, average hourly earnings increased by $0.14, or 0.4%, to $34.91. Since May 2023, average hourly earnings rose by 4.1%, which is up from the April figure of 3.9%. The average workweek was unchanged at 34.3 hours in May.
- There were 233,000 initial claims for unemployment insurance for the week ended June 22, 2024. During the same period, the total number of workers receiving unemployment insurance was 1,839,000.

A year ago, there were 238,000 initial claims, while the total number of workers receiving unemployment insurance was 1,750,000.

- **FOMC/interest rates:** The Federal Open Market Committee met twice in the second quarter, in May and in June. Following each of those meetings, the Committee kept interest rates at their current levels. Each time, the FOMC noted that the economy in general, and the labor market in particular, had remained steady, while inflation stayed well above the Fed's target rate of 2.0%. Overall, the FOMC maintained its hawkish stance toward lowering interest rates, with the possibility of one rate cut before the end of the year.
- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 1.4% in the first quarter of 2024, according to the third and final estimate from the Bureau of Economic Analysis. GDP increased 3.4% in the fourth quarter. Personal consumption expenditures rose 1.5% in the first quarter compared to a 3.3% increase in the previous quarter. Consumer spending on goods dipped 2.3%, while spending on services rose 3.3%. Gross domestic investment rose 4.4% in the first quarter, well above the 0.7% increase in the fourth quarter. Nonresidential fixed investment advanced 4.4% in the first quarter (3.7% in the fourth quarter), while residential fixed investment increased 16.0% in the first quarter compared to a 2.8% increase in the fourth quarter. Exports inched up 1.6%, while imports, which are a negative in the calculation of GDP, increased 6.1%. Consumer prices increased 3.4% in the first quarter, compared with an increase of 1.8% in the previous quarter. Excluding food and energy prices, the PCE price index increased 3.7%, compared with an increase of 2.0% in the fourth quarter.
- The federal budget deficit in May was $347.0 billion, well above the May 2023 deficit of the $240.3 billion. April saw a budget surplus of $209.5 billion. In May, government receipts totaled $323.6 billion, while government outlays were $670.8 billion. Through the first eight months of fiscal year 2024, the total deficit sits at $1,202.3 trillion, which is roughly $37.0 billion higher than the deficit through the first eight months of the previous fiscal year.
- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income rose 0.5% in May (0.3% in April) and disposable personal income also increased 0.5%, up from 0.3% in April. The PCE price index was unchanged in May after rising 0.3% in each of the prior three months. The PCE price index excluding food and energy (core prices), ticked up 0.1% in May. Consumer prices rose 2.6% since May 2023, down 0.1 percentage point compared to the 12 months ended in April. Core prices increased 2.6% over the same period, 0.2 percentage points lower than the 12 months ended in April. Consumer spending rose 0.2% in May after advancing 0.1% in April.
- The Consumer Price Index was unchanged in May after rising 0.3% in April. Over the 12 months ended in May, the CPI rose 3.3%, down 0.1 percentage point from the period ended in April. Excluding food and energy, the CPI rose 0.2% in May, (0.3% in April), and 3.4% from May 2023. Increases in prices for shelter (0.4%) and food (-0.1%), particularly food away from home (0.4%), were offset by a decrease in prices for energy (-0.2%) and gasoline (-3.6%). In addition to advances in prices for shelter and food, May saw increases in prices for medical care, used cars and trucks, and education, while prices for airline fares, new vehicles, communication, recreation, and apparel were among those that declined.
- Prices that producers received for goods and services fell 0.2% in May after rising 0.5% in April. The May decline was attributable to a decrease in prices for goods (-0.8%), while prices for services were unchanged from the prior month. Nearly 60% of the May decrease in prices for goods can be traced to a 7.1% decline in prices for gasoline. Producer prices increased 2.2% for the 12 months ended in May, unchanged from the increase over the 12 months ended in April. Producer prices less foods, energy, and trade services were flat in May after increasing 0.5% in April. For the 12 months ended in May, prices less foods, energy, and trade services moved up 3.2%, the same increase as estimated for the 12 months ended in April.
- **Housing:** Sales of existing homes fell 0.7% in May and 2.8% over the last 12 months. According to the National Association of Realtors® (NAR), existing home sales have stagnated due to low inventory, rising home prices, and high interest rates. The median existing-home price was $419,300 in May, the highest price ever recorded. The May price was 3.1% above the April price of $406,600 and 5.8% higher than the May 2023 price of $396,500. Unsold inventory of existing homes in May represented a 3.7-month supply at the current sales pace, up slightly from 3.5 months in April. Sales of existing single-family homes decreased 0.8% in May and 2.1% from the prior year. The median existing single-family home price was $424,500 in May, up from $411,100 in April and well above the May 2023 estimate of $401,500. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.87% as of June 20, down from 6.95% the previous week but up from 6.67% one year ago.
- New single-family home sales also declined in May, falling 11.3% below the April pace and 16.5% under the May 2023 rate. The median sales price of new single-family houses sold in April was $417,400 ($417,900 in April). The May average sales price was $520,000 ($503,700 in April). The inventory of

new single-family homes for sale in May represented a supply of 9.3 months at the current sales pace, up from 9.1 months in April.

- **Manufacturing:** Industrial production rose 0.9% in May, after being flat in April. Manufacturing output also increased 0.9% in May after declining 0.4% in April. Mining increased 0.3% in May, while utilities advanced 1.6%. For the 12 months ended in May, total industrial production advanced 0.4% from its year-earlier level. Over the same period, manufacturing increased 0.1%, mining decreased 0.4%, while utilities increased 3.9%.
- New orders for durable goods rose 0.1% in May following a downwardly revised 0.2% April increase. Excluding transportation, new orders decreased 0.1% in May. Excluding defense, new orders fell 0.2%. New orders for transportation equipment advanced 0.6% in May, contributing to the overall increase in new orders. New orders for nondefense capital goods in May decreased 2.8%, while new orders for defense capital goods increased 22.6%.
- **Imports and exports:** U.S. import prices decreased 0.4% in May following a 0.9% advance in the previous month. The May decrease was the first monthly decline since December 2023. Import prices advanced 1.1% over the last 12 months, matching the April 12-month increase. The May and April 12-month advances were the largest 12 month increases since December 2022. Import fuel prices fell 2.0% in May after increasing 4.1% in April. Despite the May decrease, import fuel prices rose 7.9% over the past 12 months, the largest 12-month advance since December 2022. Import prices excluding fuel ticked down 0.3% in May, following a 0.7% rise the previous month. Export prices declined 0.6% in May after advancing 0.6% in April. The May decrease in exports was the first monthly decline since December 2023. Lower nonagricultural prices in May more than offset higher agricultural prices. Despite the drop in May, prices for exports rose 0.6% from May 2023 to May 2024, the first 12-month advance since January 2023.
- The international trade in goods deficit was $100.6 billion in May, up $2.7 billion, or 2.7%, from April. Exports of goods were $166.7 billion in May, $4.6 billion, or 2.7%, less than in April. Imports of goods were $267.3 billion in May, $2.0 billion, or 0.7%, under the April estimate. Since April 2023, exports increased 4.2%, while imports increased 3.2%.
- The latest information on international trade in goods and services, released June 6, is for April and revealed that the goods and services trade deficit was $74.6 billion, up $2.1 billion, or 8.7%, from the March deficit. April exports were $263.7 billion, 0.8% less than March exports. April imports were $338.2 billion, 2.4% more than March imports. Year to date, the goods and services deficit increased $5.5 billion, or 2.0%, from the same period in 2023. Exports increased $32.2 billion, or 3.2%. Imports increased $37.8 billion, or 2.9%.
- **International markets:** The United Kingdom's GDP expanded 0.7% in the first quarter, a little higher than expectations. It was the largest expansion in over two years, which signals an end to the economic recession that began last year. Canada's GDP rose 0.3% in April but is expected to slow to 0.1% growth in May. Eurozone inflation rose 0.2% in May and 2.6% over the last 12 months. Core prices advanced 2.9% for the year, 0.2 percentage points above the period ended in April. In China, retail sales rose 3.7%, ahead of expectations, while industrial production inched up 0.3%. For June, the STOXX Europe 600 Index fell 1.1%; the United Kingdom's FTSE lost 1.1%; Japan's Nikkei 225 Index advanced 2.9%; and China's Shanghai Composite Index fell 3.9%.
- **Consumer confidence:** Consumer confidence dipped in June to 100.4, down from 101.3 in May, according to the Conference Board Consumer Confidence Index®. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, increased to 141.5 in June, up from 140.8 in the previous month. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, fell to 73.0 in June, down from 74.9 in May. The Expectations Index has been below 80 (the threshold which usually signals a recession ahead) for five consecutive months.

Eye on the Quarter Ahead

Investors will likely focus much of their attention on the Federal Reserve during the third quarter of 2024. While the Fed has maintained interest rates at their current level for several months, they suggested that one decrease could be in the offing this year. Stock performance was choppy during the second quarter, with some indexes reaching record highs, only to fall back. Traders will look to the third quarter for more stability and steady gains in the market.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK);

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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