

Market Volatility

August 5, 2024

I just wanted to send out a few quick thoughts as market volatility has escalated. As a reminder, volatility is a natural part of the capital market landscape, and when we build portfolios, we consider the impact. At a high level, we allocate assets balancing the level of volatility consistent with each investor's risk profile.

1. In general, the markets have had a good year and were overdue for some type of correction, especially in tech.
2. An August-September correction is consistent with seasonal tendencies, especially during election years.
3. The blame for the sell-off is a "growth scare" as unemployment ticked up and fears of a recession along with geopolitical tensions have risen.
4. There is concern that the Fed is behind the curve in cutting rates, but inflation is coming down and they are likely to cut rates before year end, ultimately loosening financial conditions which is supportive of asset prices.
5. For diversified investors, bonds have rallied playing their traditional role offsetting equity market volatility.
6. As investors, we also know that these moments present long-term opportunities for patient investors and we will be on the lookout for those opportunities.
7. We think that the seasonal weakness will fade, corporate profits will remain resilient, and with the support of likely rate cuts the market's uptrend will re-assert itself in Q4.