

Market Observations July 2024

It's often hard to tell the difference between relevant market information and noise. That's why every quarter our Market Observations newsletter lets you know what articles our advisors are using to form ideas and shape opinions. Take a look at what caught our eye this quarter!

Wall street journal

Halfway there

On a headline basis, U.S. markets finished the first half of 2024 on a tear, with the S&P 500 gaining 15% through June 30th. However, the gains in the market have been extraordinarily narrow, meaning only a handful of companies have driven this return. Companies outside of the United States and even smaller companies within the U.S. have delivered much weaker and, in some cases, even negative returns this year. Nvidia alone has accounted for around 30% of the market's return year to date, and a handful of giant technology companies now make up a historically extended percentage of the S&P 500 index. While these companies have had a great run over the past three years, the average company within the S&P 500 has posted much more modest gains over the same period. This commentary looks at how significant of an outlier these numbers are historically and examines whether maintaining diversification still makes sense. While diversification during extended market periods requires exceptional patience from investors, it is often during these exact time periods that maintaining this discipline remains the most important.

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New york times

How to invest in this fraught election year

Over the next four months, there will be no shortage of articles and punditry regarding who is more likely to be our next president and what that will mean for our country and economy. These are fundamental questions for us as citizens and voters, and we *should* have an opinion. However, as long-term investors, it is essential to recognize that "the harsh truth is that the market is amoral and largely apolitical." This article looks at how, historically, markets have prospered under both Democratic and Republican administrations, though also at how an investor that has remained invested regardless of the party in power has substantially outperformed one who timed their investments based on how the political winds were blowing. That said, it is important to acknowledge the difficulty of staying invested sometimes as, "Despite the market's upward tendency, big declines happen at disturbing regularity, but at unpredictable times. It doesn't seem to matter who the president is." The lesson to learn is that while politics do matter to us as citizens, it remains crucial for investors to separate political views from investing decisions.

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NPR

America's startup boom is still going strong. Here's what it means for the economy.

After COVID shut down much of the U.S. economy in early 2020, economists noted an interesting trend in the data later that year: A significant jump in the creation of new companies. Economists attributed some of this increase to the combination of people either out of work or at home with more time on their hands and the overall rise in the online retail sector. The early expectation was that many of these businesses would fade as employees returned to their jobs and the economy returned to normal. Instead, the boom in the startup of new companies has continued, with new business formation plateauing at numbers well above pre-pandemic levels. This article looks at what this may mean for the economy as a whole as new business formation "tends to be a great sign for job creation, innovation and productivity growth in the economy."

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Podcast

Marc Lasry - making bucks in credit and sports

This podcast interview features Marc Lasry, a pioneer of distressed debt investing. Lasry is the CEO of Avenue Capital, a firm he founded in 1995, and he was also previously the owner of the Milwaukee Bucks. In this broad-ranging conversation, Lasry explores the world of credit investing and discusses how he built his firm. He also dives into his experience of buying an NBA franchise that, at the time of his 2014 purchase, had the worst record in basketball and then seeing that team grow into an NBA champion in 2021. Lasry's diverse experiences allow him to opine on the similarities between team building for a sports franchise and building out the culture of a successful professional firm. Lasry sold his stake in the Bucks in 2023. Still, that experience led him to other sports-related ventures, including investments in bull-riding and sailing, which he also discusses in this interview.

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