The
MERRITT POINT MINUTE
GUIDING CLIENTS THROUGH THE COMPLEXITIES OF WEALTH MANAGEMENT

July, 2024

IN THIS ISSUE:

AdvisorHub's Advisors to watch over $1 Billion

2024 AdvisorHub Advisors to Watch: Awarded June 2024; Data compiled by AdvisorHub based on the time period from 12/31/22 - 12/31/23 (Source: AdvisorHub). The AdvisorHub 2024 Advisors to Watch (A2W) rating produced by AdvisorsHub is based on industry experience, assets under management, revenue, growth, compliance records, professionalism, and other criteria. Investment performance is not a criterion. Self-completed survey was used for rating. A2W winners are redefined into subcategories and then ranked with the subcategory based on scale, growth and professionalism. The rating and ranking are not related to the quality of the investment advice and based solely on the disclosed criteria. Being placed on the subcategory does not denote an additional award. 1987 wealth managers were considered for the award; 1000 (50.3% percent of candidates) were named 2024 AdvisorHub Advisors to Watch.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. Merritt Point Wealth Advisors is a separate entity of WFAFN.

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Economic Commentary

In the second quarter of 2024 US Stocks ended the period on a mildly positive note, gaining roughly 3.5% after recovering from a rocky start in April which saw a 5.4% intramonth drawdown. This was the first meaningful bout of volatility we've seen since fall of 2023, largely driven by stickier than expected inflation reports, and investors revising their expectations for fed rate cuts.

US stocks regained their footing in late April/early May, driven primarily by large-cap growth stocks; resuming the highly concentrated technology narrative (the "Magnificent 7") that began to wane in Q1. Unlike much of the growth witnessed in the space last year, the performance was not predominantly driven by projected earnings growth, but rather by price-earnings multiple expansion. Simply put, this means growth was driven by investor excitement more than the true underlying financials of the market's largest companies. This is a less sustainable and durable form of growth, subject to reversal as investor emotions fluctuate. Based on these facts, I still anticipate a longer-term "broadening" of market performance despite the short-term divergence of the "Mag 7". This suggests some normalization in the relationship between the top 7 names, and the remaining 493 stocks that make up the S&P 500 index.

In the past two quarterly commentaries I've addressed (criticized) the market's exuberance in overestimating interest rate cuts. At the end of last year, the Federal Reserve Chair, Jerome Powell forecasted three 25 basis point (bps) rate cuts. The market, rejecting this assertion, instead priced in roughly six. At the end of the first quarter, market expectations came in line with Fed projections pricing in roughly three cuts. Here we are halfway through the year, and both Fed and market expectations are for one single 25 bps rate cut by the end of 2024, most likely occurring around September. From six, to three, to one all in the span of roughly six months. We have been ahead of the curve on this call, understanding that progress is not always linear and that it takes a long time to slow down a speeding train. The train in this analogy represents a pandemic driven global economic shutdown, the resulting $5 trillion in stimulus spending, and a rapid 40% increase in "M2" money supply.

The Fed's response, although slower than the markets would have preferred, is having its desired effect on inflation. The largest contributors to the moderating inflation figures are falling energy prices and flattening "core

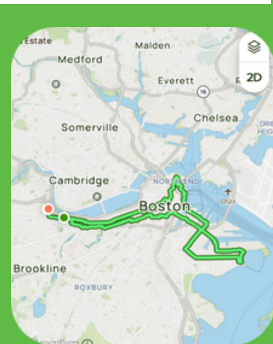
TEAM BIRTHDAYS

Ted Youngling
First Vice President - Investments
July 11th

Ross M. Bauer
Founder, COO
July 12th

Rob Schaefer, CFP®
Senior Wealth Planning Strategist
August 25th

OUTSIDE OF THE OFFICE



On Saturday, June 22nd, Rob Schaefer, CFP® participated in the American Foundation for Suicide Prevention's "Out of the Darkness" event, walking overnight, through the city of Boston. Rob covered the roughly 16.5 miles in under 6 hours, starting at 8:30pm and ending at just after 2:00am, taking around 35,000 steps. The thousands of people who walked raised $3.2mm for the organization.

Amazing work, Rob!

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ANNIVERSARIES

Celebrating anniversaries this upcoming quarter are:

Jonathan Nuzzaci

Senior Vice President - Investments

2 years

Olivia Negri

Associate

2 years

UPCOMING NYSE HOLIDAYS

***Please be advised that our offices will be closed in observance of the following market holidays:**

LABOR DAY

Monday, September 2nd

Economic Commentary (continued)

goods" and "food" prices. The food prices are referring to your bill at the grocery store, not dining out which adds in the variables of labor and rent, so don't expect any relief on your next dinner date. Interestingly, auto insurance has now become an outsized contributor to your higher bills due to the "long and variable lags" of inflation. The price of cars went up the last few years, people have submitted claims to insurance companies, insurance companies pay out more than they expected to replace these cars and as a response, revise their underwriting. Now many months later and despite auto prices beginning to moderate, you're getting a higher premium payment. This is a brief anecdote of how taming inflation is a complex and imperfect science.

We will continue to monitor economic growth, corporate earnings, and key inflation figures as the American consumer begins to show signs of strain, starting at the lower/middle class and slowly working up the wealth ladder the longer this environment persists. If inflation can be moderated soon, we may see sufficient relief for the average consumer as to provide a smooth and uninterrupted economic growth trend. That and rate cuts, which will provide some much-desired liquidity for US companies (particularly small and mid-sized) as well a boost to bond prices (particularly intermediate and long duration). If inflation remains at current levels for longer, two things will likely occur. First, the Fed will be forced to keep rates high putting pressure on stocks. Second, American consumers will be pushed closer to the brink of their savings bringing us to the edge of a rapid consumer slowdown and potential "soft landing" recession worries. If the consumer "breaks" and economic spending/investment halts before significant rate cuts take place, cuts will serve as less of a tailwind to ongoing growth, but rather as "damage control" to a stalling economy. That's why it is important to understand that rate cuts are not a surefire greenlight for equities, they're contextually dependent. For example, according to Wells Fargo* research, from 1974 to 2024 there has been on average a 20% drawdown in the 250 days following the first Fed rate cut in a cycle. We're hopeful this cycle will resemble the "tailwind" scenario but remain poised for potential volatility.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

**Sources: Bloomberg, Strategas and Wells Fargo Investment Institute. Data as of 6/10/24.*

Rob Schaefer, CFP®

Senior Wealth Planning Strategist

AWARDS & RECOGNITION

We are excited to announce that Founder, President Beth Cutler attended the Forbes Top Women Advisor Summit in Manalapan, Florida this past May as a result of being awarded the "2024 Forbes Top Women Wealth Advisors Best-in-State."

Congratulations to Beth on this outstanding recognition!

Source: Forbes.com (Awarded February 2024) Data compiled by SHOOK Research LLC based on the time period from 9/30/22 9/30/23. Fee paid for use of marketing materials. The Forbes Top Women Wealth Advisors Best in State rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria.

A MESSAGE FROM OUR CEO

Dear Clients,

As we reach the midpoint of 2024, it is clear that this year, like every other, presents us with a unique set of economic and investment trends that require careful navigation, along with rapid changes in technology. Staying ahead of the curve is crucial for our continued success.

One of our significant accomplishments this quarter was the successful launch of our new website. This milestone is a testament to our team's hard work and dedication. The new website not only enhances our online presence but also improves the user experience for our customers, making it easier for them to access our products and services.

As we continue to expand and utilize the latest technologies, we remain focused on providing the best investment advice, along with an outstanding client experience.

Thank you for being an integral part of the Merritt Point family.

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