

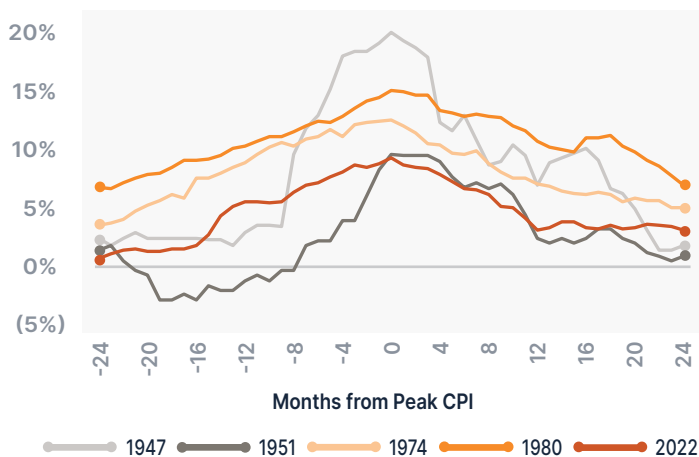
Highlights

- ▶ Inflationary pressures continue to subside, and the Federal Reserve seems to be shifting its focus to the strong, though potentially softening, labor market.
- ▶ The **Magnificent Seven** (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) shed over \$2 trillion in market capitalization in a brief period, as reporting guidance disappointed and the stocks struggled to overcome macroeconomic headwinds.
- ▶ Political and fiscal policy uncertainty remains an overhang on the market.
- ▶ Restrictive monetary policy gives the Fed the flexibility to intervene as necessary.

Macro Environment at a Glance

Inflation Trends and Economic Outlook: As illustrated in **Figure 1**, inflation has significantly decreased from its peak of over 9% in June 2022, now standing around 3.0%. This decline aligns with historical patterns, where inflation cycles typically take 24 months to peak and then recede. The Federal Reserve is likely to continue easing monetary policy, especially if disinflationary pressures persist and the labor market cools further.

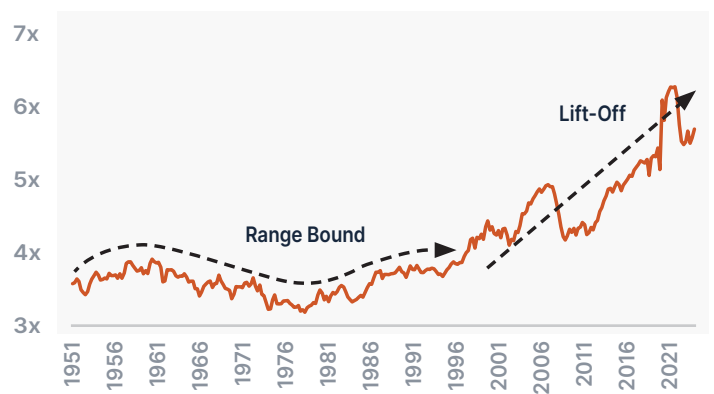
FIGURE 1
U.S. Consumer Price Index



Data as of 6/30/24. Source: Aspiriant analysis. Data from Bloomberg, Bureau of Labor Statistics. Please see additional disclosures regarding third-party data and other considerations.

Household Wealth and Economic Disparities: **Figure 2** shows that U.S. household net worth, as a percentage of GDP, has surged to nearly 6x, a level not seen since the 1950s. This increase reflects the robust economic growth driven by factors such as lower labor and debt costs, fewer regulations and technological advances. However, the benefits of this growth have not been evenly distributed. Lower-income households continue to face significant challenges, particularly with inflation eroding their purchasing power and increasing their reliance on credit. As such, we believe it is important to monitor rising credit card delinquencies, as well as other forms of credit, to determine the sustainability of consumer spending patterns.

FIGURE 2
Household Net Worth to GDP



Data as of 6/30/24. Source: Aspiriant analysis. Data from Bloomberg, Bureau of Economic Analysis. Please see additional disclosures regarding third-party data and other considerations.

Portfolio Considerations

- ▶ Investors should aim to maintain a disciplined approach to portfolio construction—diversified, fully invested portfolios—while staying adaptive to the evolving landscape of risks and opportunities.
- ▶ We recommend portfolio positioning grounded in diversification and purposeful risk-taking. Fixed income looks attractive, with yields offering a reasonable spread to inflation. Given that we are closer to the end of the inflation cycle than the start, we expect fixed income and equities markets to be less correlated to one another. This should give fixed income, as we have seen during recent market volatility, the ability to preserve capital during equity market sell-offs.
- ▶ We believe holding defensive equities, especially this late in the cycle, is sensible due to their durable business models and strong cash flows. International equities offer potential for wider returns despite near-term risks. Additionally, exposure to private markets, such as private credit and infrastructure, allows investors to capitalize on market dislocations and long-term trends, while broadening portfolio diversification.

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Glossary of Terms Used in this Issue

Consumer Price Index (CPI): A key indicator of inflation or deflation in the economy.

Disinflation: A reduction in the rate of inflation, meaning prices are still increasing but at a slower rate than before.

Federal Reserve (Fed): The central banking system of the United States, responsible for setting monetary policy, including interest rates and regulating banks.

Gross domestic product (GDP): It measures the monetary value of final goods and services produced in a country in a given period of time.

Magnificent Seven: Stocks that include Amazon, Alphabet, Apple, Meta, Microsoft, Nvidia and Tesla.

Market Capitalization: The total market value of a company's outstanding shares of stock, calculated by multiplying the current share price by the total number of outstanding shares.

Monetary Policy: The process by which the Federal Reserve manages the supply of money and interest rates to achieve macroeconomic objectives, such as controlling inflation, managing employment levels and ensuring economic stability.