

Gradient Capital
ADVISORS, LLC

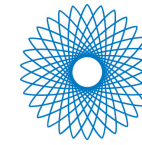
Q2

Quarterly Market Review
Second Quarter 2024

Quarterly Market Review

Second quarter 2024

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets. The report concludes with a quarterly topic.



Gradient Capital
ADVISORS, LLC

Overview:

Market Summary

World Stock Market Performance

US Stocks

International Developed Stocks

Emerging Markets Stocks

Country Returns

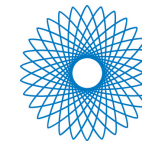
Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

Quarterly Topic: Reality Meets Expectation for the
Mag 7

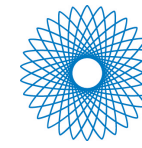


Quarterly Market Summary

Index returns






	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q2 2024	STOCKS				BONDS	
	3.22%	-0.60%	5.00%	-1.48%	0.07%	0.11%
Since Jan. 2001						
Average Quarterly Return	2.4%	1.6%	2.5%	2.2%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2023 Q4	2023 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.

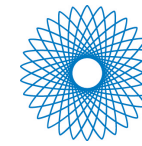


Long-Term Market Summary

Index returns as of June 30, 2024

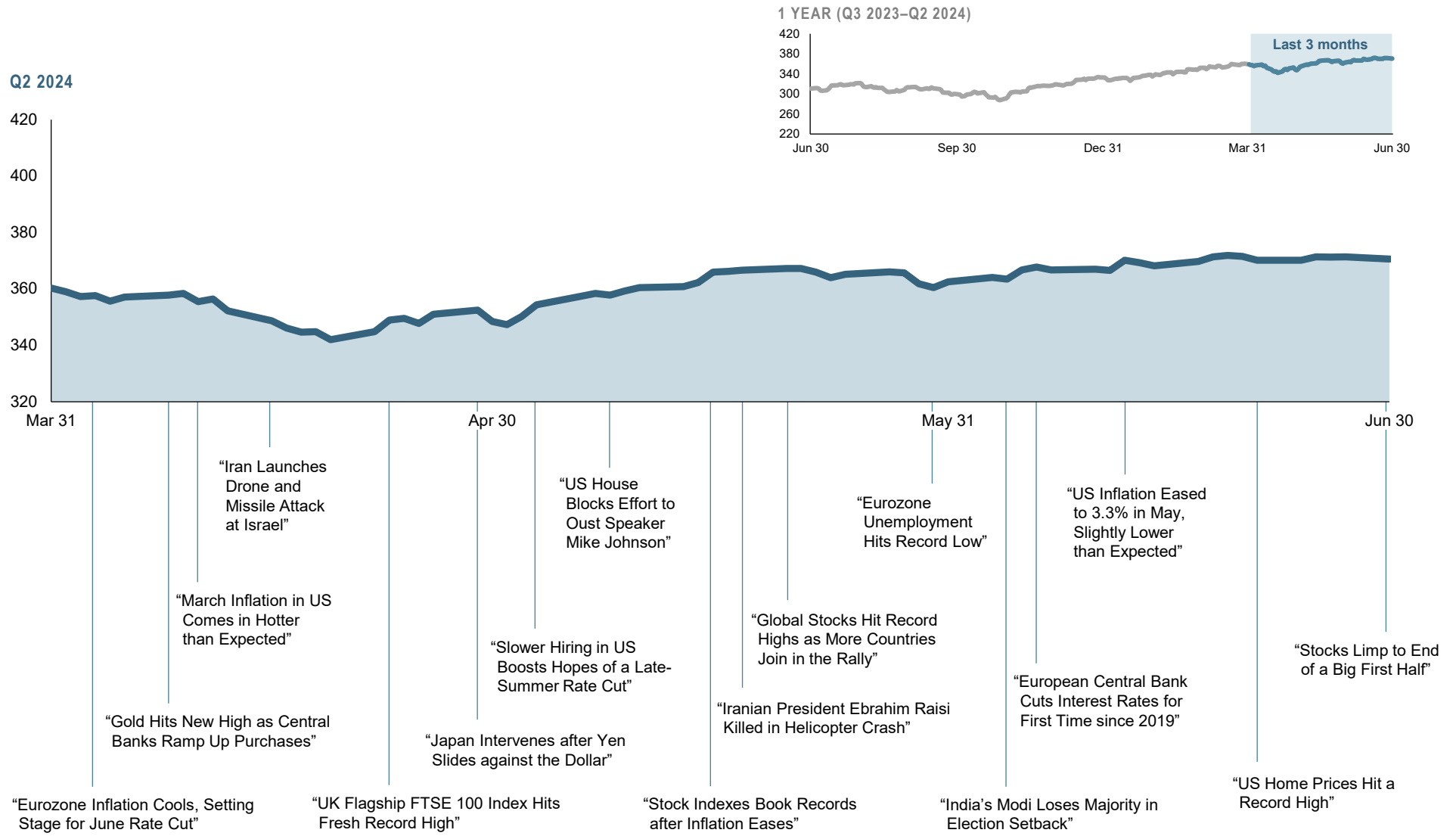
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1 Year	STOCKS					BONDS	
	23.13% 	11.22% 	12.55% 	5.10% 		2.63% 	5.26% 
5 Years	14.14% 	6.55% 	3.10% 	0.65% 		-0.23% 	0.51% 
10 Years	12.15% 	4.27% 	2.79% 	2.94% 		1.35% 	2.45% 

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World Stock Market Performance

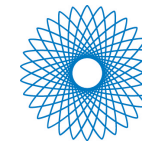
MSCI All Country World Index with selected headlines from Q2 2024



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

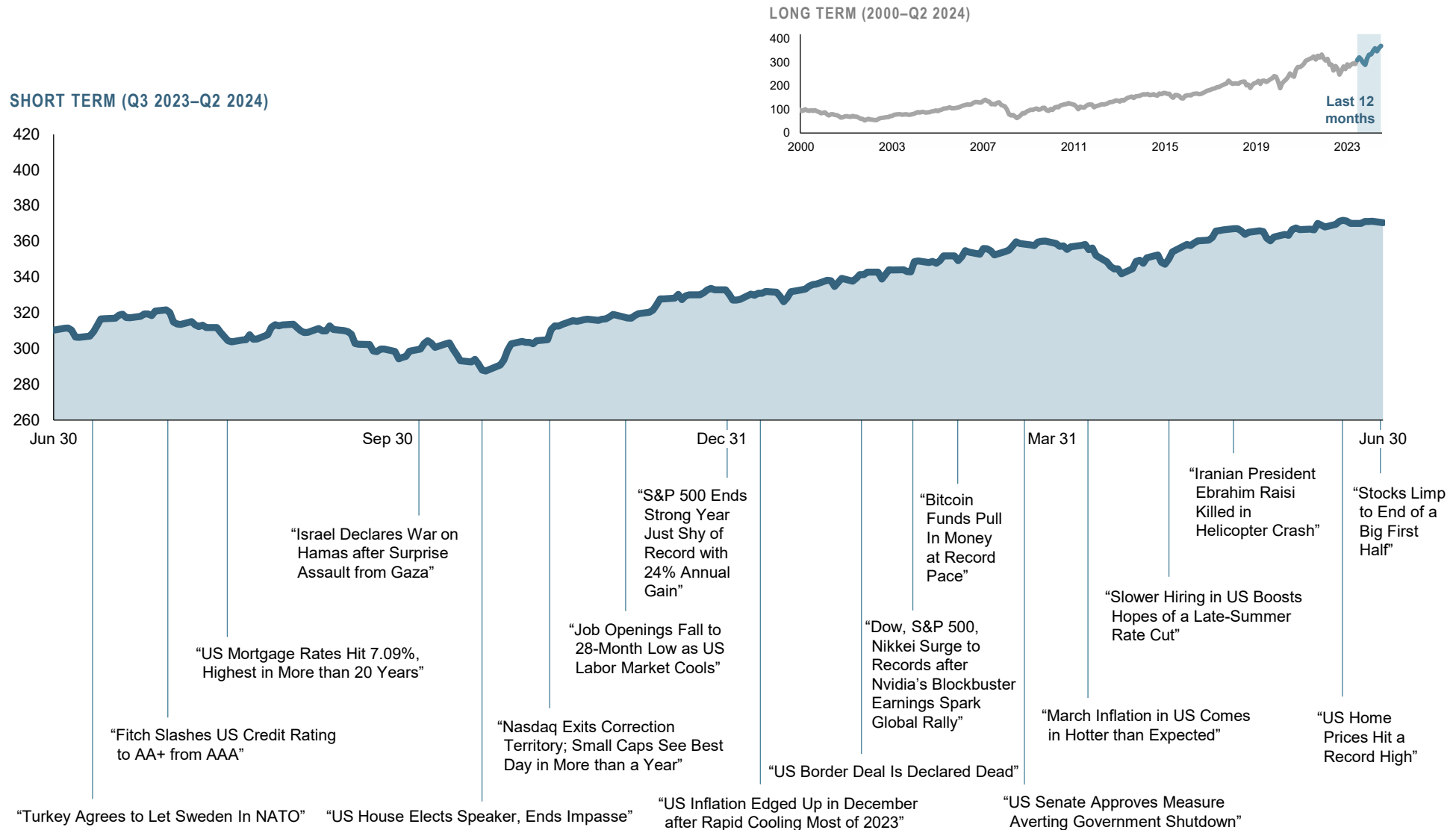
Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**



World Stock Market Performance

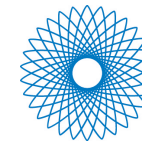
MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000.

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US Stocks

Second quarter 2024 index returns

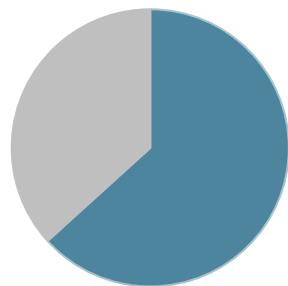
The US equity market posted positive returns for the quarter and outperformed non-US developed markets, but underperformed emerging markets.

Value underperformed growth.

Small caps underperformed large caps.

REIT indices underperformed equity market indices.

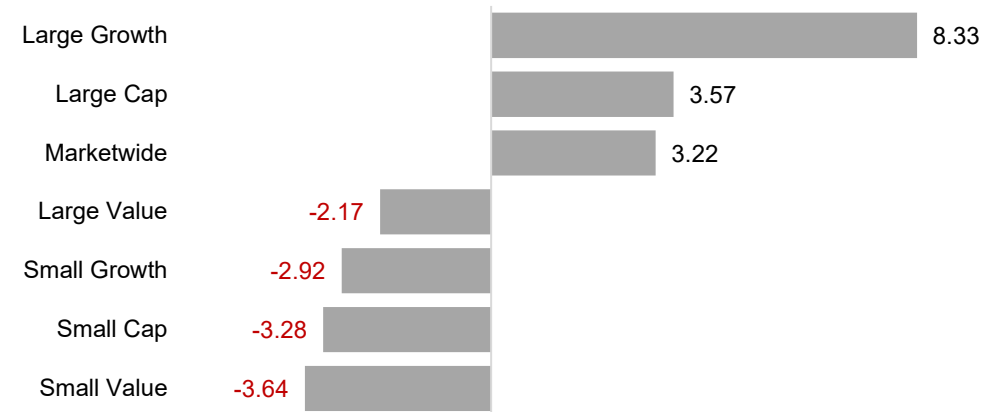
World Market Capitalization—US



63%

US Market
\$52.1 trillion

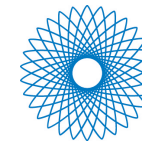
Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Large Growth	8.33	20.70	33.48	11.28	19.34	16.33
Large Cap	3.57	14.24	23.88	8.74	14.61	12.51
Marketwide	3.22	13.56	23.13	8.05	14.14	12.15
Large Value	-2.17	6.62	13.06	5.52	9.01	8.23
Small Growth	-2.92	4.44	9.14	-4.86	6.17	7.39
Small Cap	-3.28	1.73	10.06	-2.58	6.94	7.00
Small Value	-3.64	-0.85	10.90	-0.53	7.07	6.23

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.



International Developed Stocks

Second quarter 2024 index returns

Developed markets outside of the US posted negative returns for the quarter and underperformed both US and emerging markets.

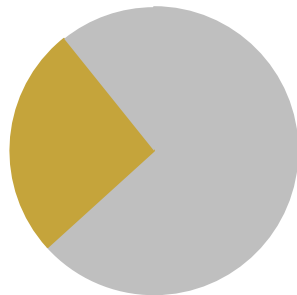
Value outperformed growth.

Small caps underperformed large caps.

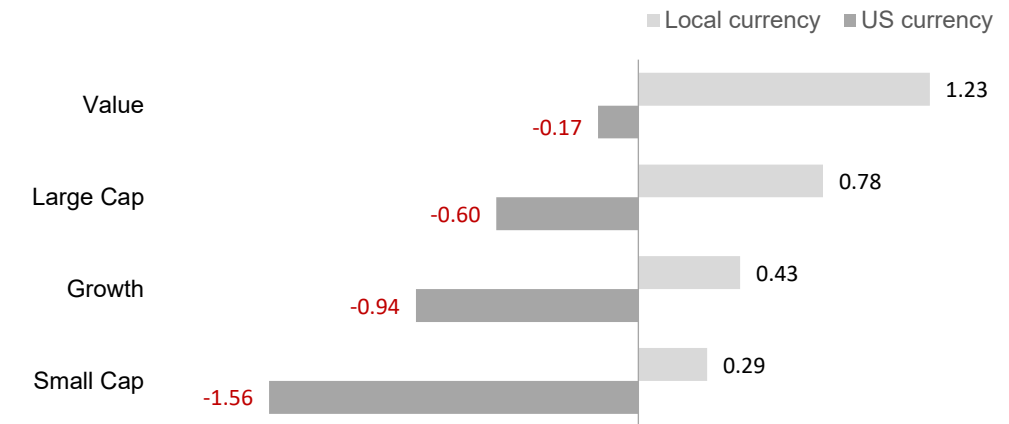
World Market Capitalization—International Developed

26%

International
Developed Market
\$21.4 trillion



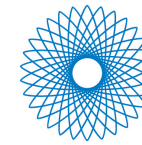
Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Value	-0.17	4.03	13.17	5.45	6.21	3.06
Large Cap	-0.60	4.96	11.22	2.82	6.55	4.27
Growth	-0.94	5.91	9.36	0.02	6.46	5.23
Small Cap	-1.56	0.98	7.80	-2.98	4.69	4.04

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Emerging Markets Stocks

Second quarter 2024 index returns

Emerging markets posted positive returns for the quarter and outperformed both US and non-US developed markets.

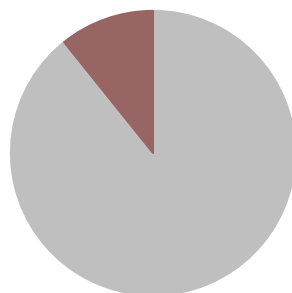
Value outperformed growth.

Small caps outperformed large caps.

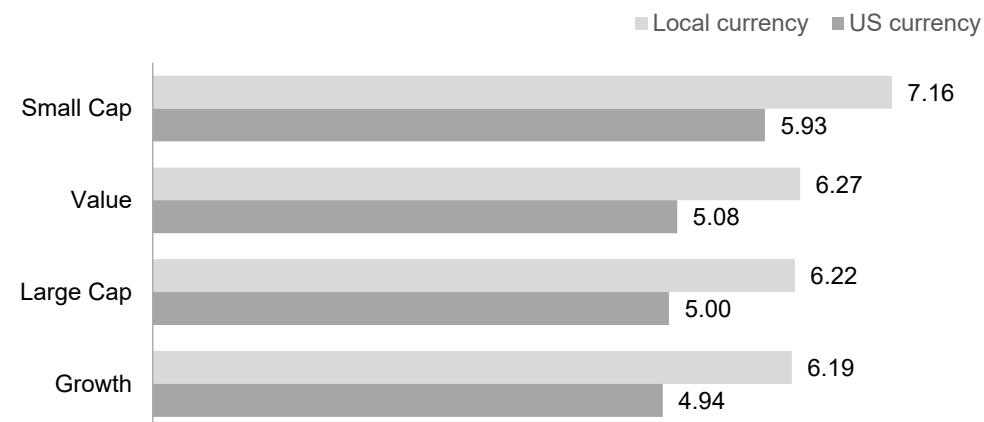
World Market Capitalization—Emerging Markets

11%

Emerging Markets
\$8.9 trillion



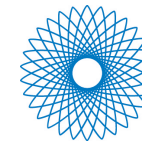
Ranked Returns (%)



Period Returns (%)

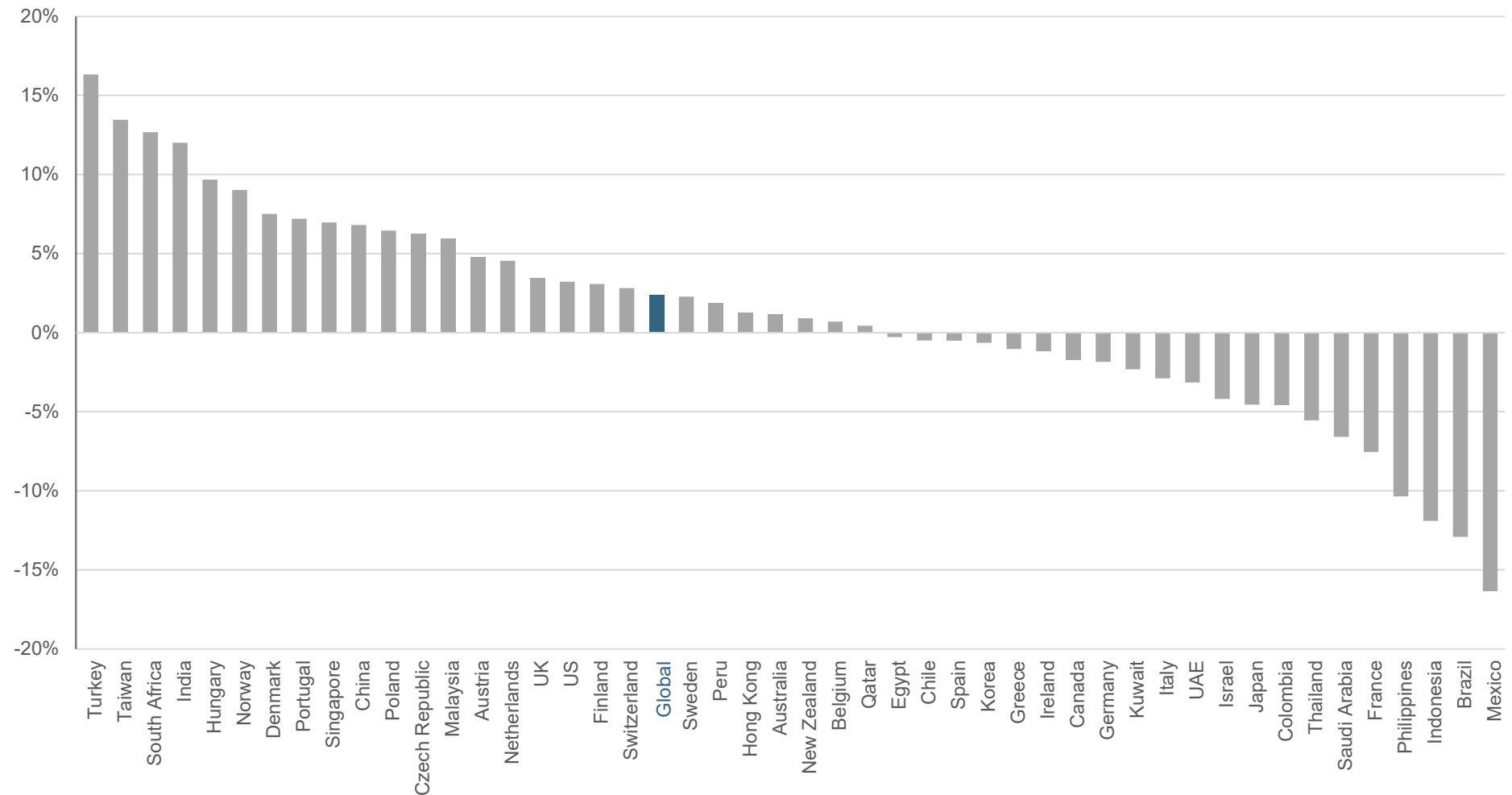
Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Small Cap	5.93	7.04	20.04	2.54	9.99	5.15
Value	5.08	6.46	14.13	-1.09	2.91	1.96
Large Cap	5.00	7.49	12.55	-5.07	3.10	2.79
Growth	4.94	8.45	11.08	-8.70	3.18	3.51

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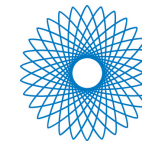
Country Returns

Second quarter 2024 index returns



Past performance is no guarantee of future results.

Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved.



Real Estate Investment Trusts (REITs)

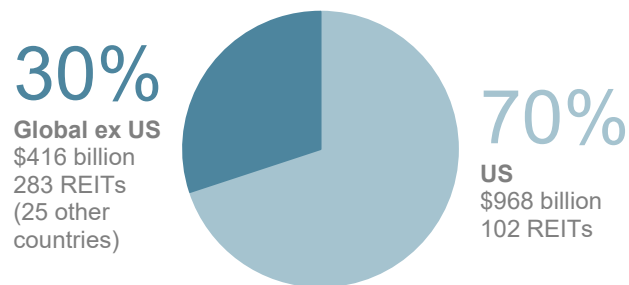
Second quarter 2024 index returns

US real estate investment trusts outperformed non-US REITs during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks

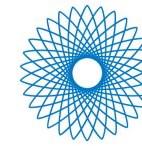


Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
US REITS	-0.16	-0.55	7.15	-0.14	2.78	5.17
Global ex US REITS	-4.39	-6.72	2.45	-7.80	-3.59	-0.05

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Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



Commodities

Second quarter 2024 index returns

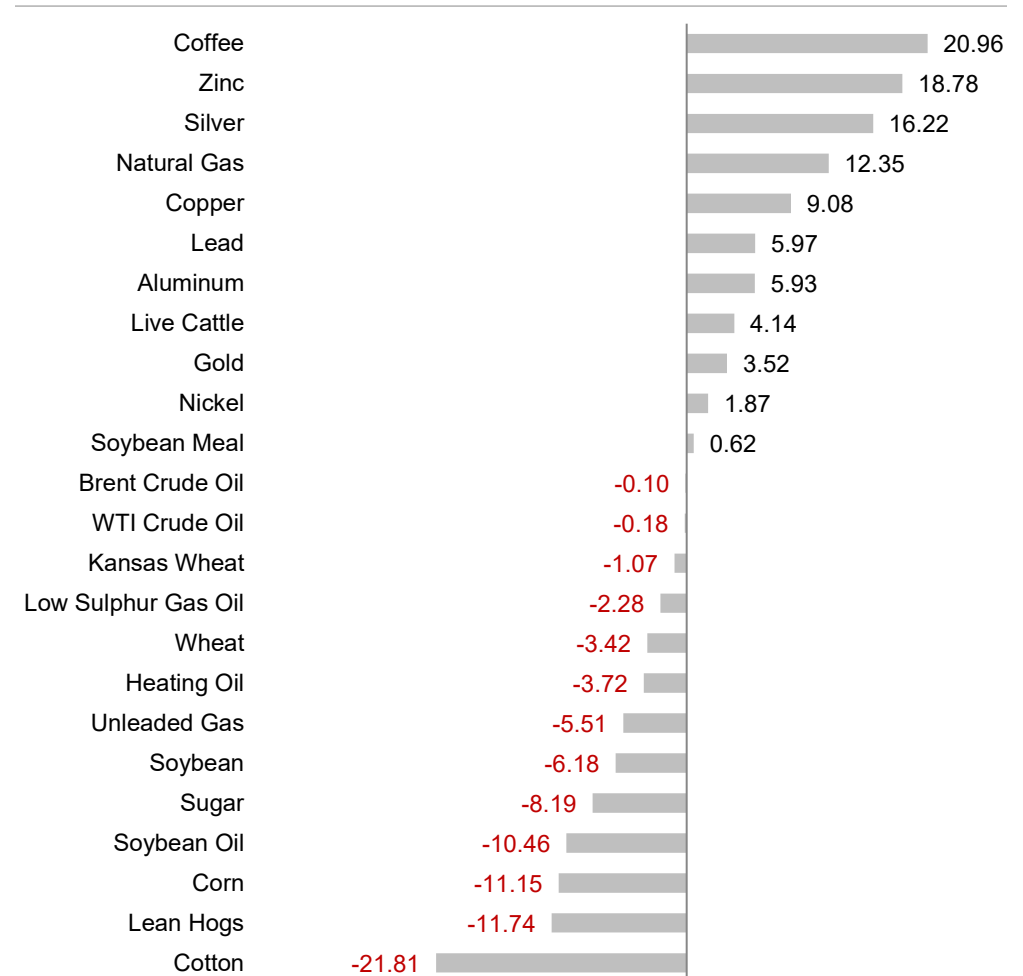
The Bloomberg Commodity Total Return Index returned +2.89% for the second quarter of 2024.

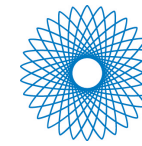
Coffee and Zinc were the best performers, returning +20.96% and +18.78% during the quarter, respectively. Cotton and Lean Hogs were the worst performers, returning -21.81% and -11.74% during the quarter, respectively.

Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Commodities	2.89	5.14	5.00	5.65	7.25	-1.29

Ranked Returns (%)





Fixed Income

Second quarter 2024 index returns

Interest rates generally increased in the US Treasury market for the quarter.

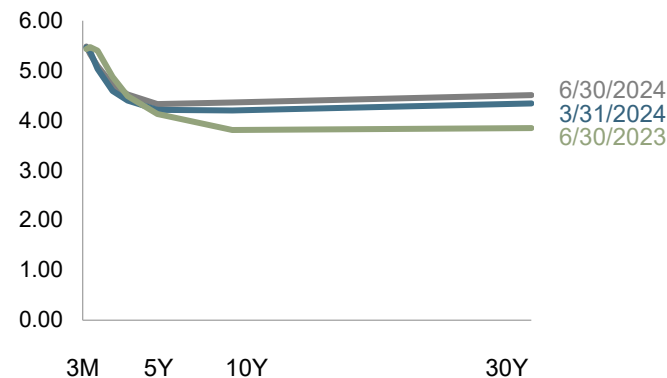
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 2 basis points (bps) to +5.47%, while the 1-Year US Treasury Bill yield increased 6 bps to +5.09%. The yield on the 2-Year US Treasury Note increased 12 bps to +4.71%.

The yield on the 5-Year US Treasury Note increased 12 bps to +4.33%. The yield on the 10-Year US Treasury Note increased 16 bps to +4.36%. The yield on the 30-Year US Treasury Bond increased 17 bps to +4.51%.

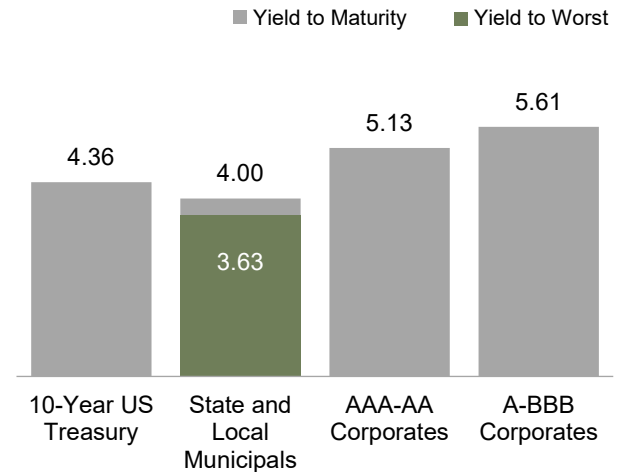
In terms of total returns, short-term US treasury bonds returned +0.77% while intermediate-term US treasury bonds returned +0.58%. Short-term corporate bonds returned +0.96% and intermediate-term corporate bonds returned +0.74%.¹

The total returns for short- and intermediate-term municipal bonds were +0.35% and -0.92%, respectively. Within the municipal fixed income market, general obligation bonds returned -0.30% while revenue bonds returned +0.07%.²

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



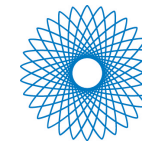
Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
ICE BofA US 3-Month Treasury Bill Index	1.32	2.63	5.40	3.03	2.16	1.51
ICE BofA 1-Year US Treasury Note Index	1.11	1.95	5.02	1.80	1.69	1.36
Bloomberg U.S. High Yield Corporate Bond Index	1.09	2.58	10.44	1.64	3.92	4.31
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.87	1.13	4.84	0.38	1.03	1.43
Bloomberg U.S. TIPS Index	0.79	0.70	2.71	-1.33	2.07	1.91
Bloomberg U.S. Aggregate Bond Index	0.07	-0.71	2.63	-3.02	-0.23	1.35
Bloomberg Municipal Bond Index	-0.02	-0.40	3.21	-0.88	1.16	2.39
FTSE World Government Bond Index 1-5 Years	-0.06	-1.41	2.43	-2.73	-0.79	-0.78
Bloomberg U.S. Government Bond Index Long	-1.80	-4.99	-5.55	-10.45	-4.24	0.60

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.** Yield curve data from Federal Reserve. State and local bonds and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&BBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2024 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2024 ICE Data Indices, LLC. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.



Global Fixed Income

Second quarter 2024 yield curves

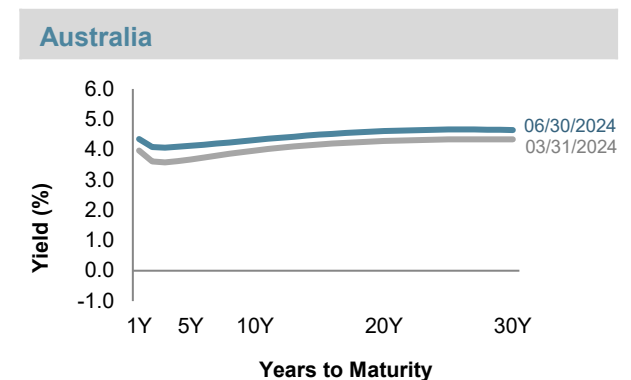
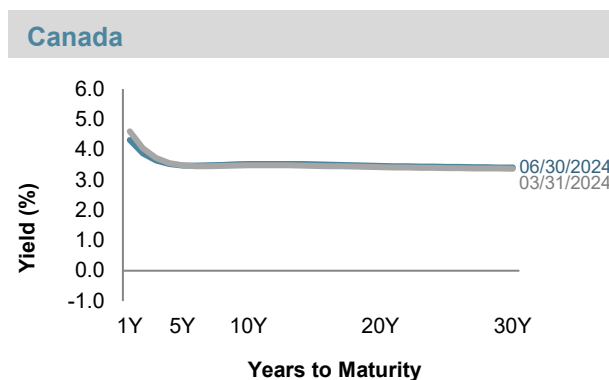
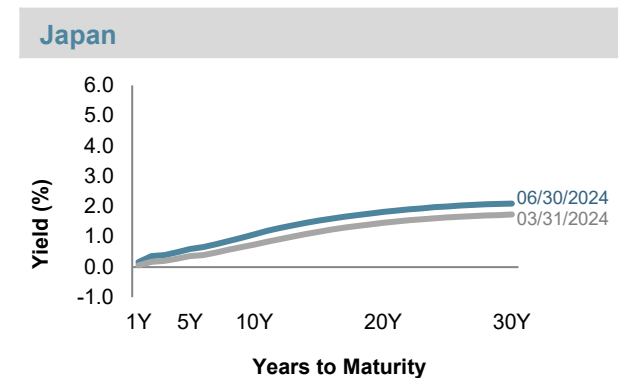
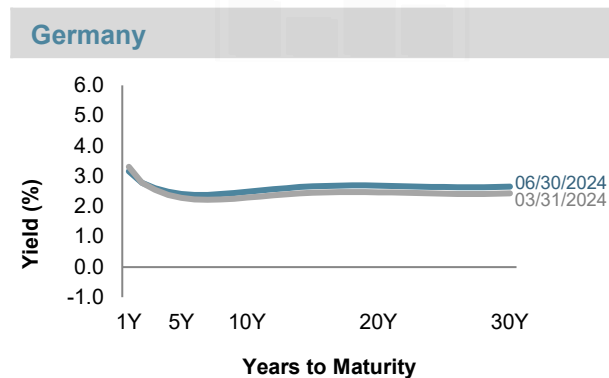
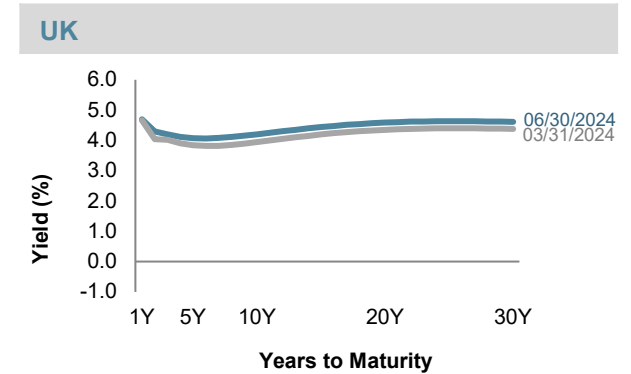
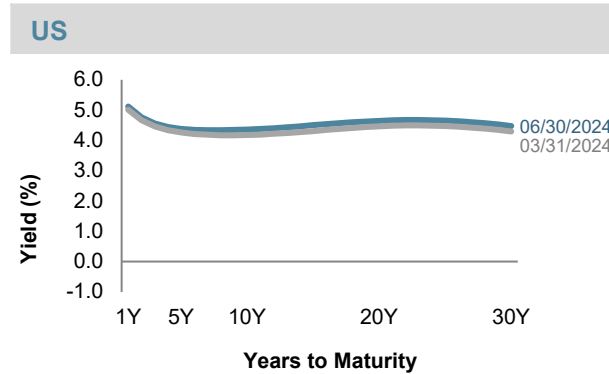
Interest rates generally increased across global developed markets for the quarter.

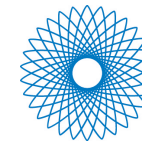
Realized term premiums were negative across global developed markets, as longer-term bonds generally underperformed shorter-term bonds.

In Germany and Canada, short-term interest rates decreased while longer-term interest rates generally increased. The short-term segment of the yield curve remained inverted in Australia, UK, Germany, and Canada.

Changes in Yields (bps) since 03/31/2024

	1Y	5Y	10Y	20Y	30Y
US	11.1	12.2	18.1	18.2	18.5
UK	2.7	23.5	25.9	23.6	23.5
Germany	-15.0	13.2	19.0	21.9	22.3
Japan	10.9	23.2	33.9	35.6	36.9
Canada	-28.4	-0.8	4.5	4.4	3.6
Australia	38.3	44.6	34.8	32.5	30.4





Reality Meets Expectation for the Mag 7

Second quarter 2024

Wes Crill, PhD, Senior Investment Director and Vice President, Dimensional Fund Advisors

It is unlikely any stock has an expected return of 100% per year. That seems too high to be the cost of equity capital for a company, and it's doubtful anyone would sell a stock with an expected return 10 times the historical stock market return.¹ A realized return that big likely means the company surprised investors in a good way.

The Magnificent 7 stocks returned on average more than 111% in 2023, exceeding the S&P 500 Index by over 85 percentage points. While it's hard to say what cash flow expectations were built into their stock prices, comparing analyst earnings estimates to actual earnings suggests these companies exceeded expectations for the year. All seven reported earnings exceeding average forecasts. For example, Nvidia posted an earnings per share 37.4% higher than the average analyst expectation. Contrast this with 2022, when five of the seven companies' earnings fell short of analyst expectations. The average Magnificent 7 stock return that year trailed the S&P 500 Index by 28 percentage points.

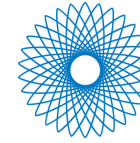
Expecting Mag 7 outperformance to continue is to bet on these companies further exceeding the market's expectations. Simply meeting expectations may result in returns more in line with the market, consistent with the history of top US stocks.

SURPRISE, SURPRISE

Magnificent 7 actual vs. analyst forecast earnings per share, 2022–2023

	2022			2023		
	ANALYST FORECAST	ACTUAL	DIFFERENCE	ANALYST FORECAST	ACTUAL	DIFFERENCE
NVDA	\$3.77	\$1.74	-53.8% ▼	\$8.69	\$11.94	37.4% ▲
AAPL	\$6.06	\$6.10	0.7% ▲	\$5.95	\$6.13	3.0% ▲
TSLA	\$3.73	\$3.63	-2.7% ▼	\$3.61	\$4.30	19.2% ▲
MSFT	\$9.14	\$9.64	5.5% ▲	\$9.35	\$9.68	3.6% ▲
AMZN	\$1.09	-\$0.27	-125.0% ▼	\$1.93	\$2.89	49.7% ▲
GOOGL	\$5.04	\$4.55	-9.6% ▼	\$5.21	\$5.81	11.4% ▲
META	\$10.49	\$8.59	-18.2% ▼	\$11.33	\$14.90	31.5% ▲

1. The S&P 500 Index had an annualized return of 10.3% from January 1926 to December 2023. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. See following page for important disclosure.



Reality Meets Expectation for the Mag 7

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Past performance is no guarantee of future results.

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