

Celebrating Our Team Members



Market Commentary

Dear Clients,

As the Puget Sound broke heat records this last quarter, so did the US large-cap equity market. The recent quarter's returns were driven solely by the six largest companies, while the other 494 in the S&P 500 had negative returns. With these six companies making up 31% of the index, the market index is far from diversified. Historically, broad-based participation results in higher returns with less volatility.

This concentration isn't sustainable, but it is explainable. With a weakening economy this last quarter, investors focused on companies they perceive as recession-proof stocks and relied on recent performance trends associated with the AI buzzword.

History doesn't repeat but often rhymes, and this situation resembles the late 1990s when a few mega-cap stocks drove the market up. Ironically, in late 1999, as interest rates faltered and a recession became apparent, other market sectors began to outperform.

Currently, 2.5 years into this rate hike cycle, signs of a recession are emerging. Unemployment has moved up from a low of 3.4% to 4.1%, and economic data continues to weaken. While this trend helps combat inflation, it increases recession risk the longer rates remain elevated.

Now comes the key balancing act. How much and when is the right time for the Fed to cut rates to avoid a recession, but not too early to prolong inflation? Whether the Fed gets it right or wrong, sticking to a long-term financial plan and staying invested and diversified, even in areas that haven't done well, remain the core tenets we believe to create and maintain financial security.

For more information, please read our commentary from Brent Schutte, our Chief Investment Officer - [Northwestern Mutual's 2nd Quarterly Market Commentary](#).

We look forward to hearing from you,

Julie, Dave, Cade, and Conner

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