



## ***Ropes Wealth Reveals the Market's Simple Truths and Marks Memorial Day***

Memorial Day weekend is upon us and for many it signifies the official start to summer. Originally called Decoration Day, the true meaning of Memorial Day is not burgers by the pool, but to remember and honor those men and women who have given their lives in service to our country. Officially declared by President Lyndon Johnson in May 1966, Memorial Day can trace its roots back to the Civil War and the remembrance of Union soldiers. This week is generally short and quiet in the financial markets as many people prepare to leave town or gather with family and friends for outdoor picnics and fun. But this year continues to be noisy with headlines about the economy, the Fed, and earnings.

Kicking off with the economy, the S&P Global services index of activity rose to 54.8 in May, up from 51.3 in April and a twelve-month high, while the manufacturing index rose to 52.4 from 51.1. Both figures were above the 50 level that's typically viewed as indicative of expansion.

While normally this would be a good sign, investors were spooked by the reacceleration, especially given S&P Global's comments that *"both input costs and output prices rose at faster rates, with manufacturing having taken over as the main source of price growth over the past two months."*

Meanwhile, existing home sales declined -1.9% to a seasonally adjusted annualized rate (SAAR) of 4.14 million, according to the National Association of Realtors. Notably, the number of homes available on the market jumped 9.0% to 1.21 million, the highest level since October 2022. New home sales also declined by -4.7% to a SAAR of 634,000 in April. The months' supply index rose to 9.1, the highest level since November 2022. The number of new homes available for sale increased 2.1% to 480,000, the highest level since January 2008.

The crosscurrent in economic data has the Fed a bit flummoxed, which showed through in the minutes from the Federal Open Market Committee (FOMC) meeting on April 30 - May 1. Officials noted they felt *"the disinflation process would likely take longer than previously thought."* In addition, *"various participants mentioned a willingness to tighten policy further."* With that, stocks took it on the chin for a few days, as investors once again reset their interest rate expectations.

Goldman Sachs CEO David Solomon chimed in on the topic at a Boston College event for corporate executives on Wednesday, saying *"I'm still at zero cuts...I think we're set up for stickier inflation."* Solomon also highlighted that while the U.S. economy as a whole can be fundamentally strong, not all Americans are experiencing growth or the impact of inflation in the same way.

Turning to earnings, investors were gratified to see Nvidia's fiscal Q1 earnings per share of \$6.12, smashing expectations. Revenue of \$26.04 billion beat the consensus of \$24.59 billion, bolstered by a 427% annual leap in data center revenue to \$22.6 billion. Nvidia also announced a 10-for-1 stock split effective June 7 that will be reflected in shares on Monday, June 10. A stock split can make the share price more attractive to less well-off investors, sometimes triggering fresh buying.

Nvidia's good news was not enough to hold the market at all-time highs, especially when a bellwether like Boeing reported negative free-cash flow and a continued slide in deliveries during the current quarter. Boeing's financial struggles reflect the continued fallout of their latest production issues when a door plug blew out midair from a nearly new 737 Max 9. That accident has increased federal scrutiny of the company, whose executives have

vowed to stamp out production flaws and regain the trust of regulators, airline customers and the public.

Speaking of people who need to regain the public's trust, it was reported this week that FDIC Chairman Martin Gruenberg has formally resigned amid allegations of a widespread culture of sexual harassment and discrimination at the agency. At this point, Gruenberg is expected to remain in his role until a successor is appointed and approved, leaving President Biden scrambling to find a replacement.

As we mark a long weekend of remembrance and gratitude for our fallen soldiers and find us close to the halfway mark of this calendar year, let's pause and review some simple truths. First, the economy is fundamentally strong and while not without pockets of concern, moderate growth is our base case. Next, inflation is not easing fast enough for the Fed and is having some sinister ripples, which may keep interest rates higher for longer. Importantly, though, interest rates have seemingly peaked. Finally, stock prices are supported by earnings growth but at current elevated levels need a catalyst to determine their next move, either higher or lower. As we stare down the back half of the year and face an election with options that leave a lot to be desired, the typical election year playbook of positive outcomes may not yield the same results. Let us work together to be ready for whatever comes, maintaining discipline in your plan but also not being afraid to push forward required minimum distributions and charitable gifts. Now is also a great time to review cash holdings to optimize for yield as interest rate volatility has opened up new opportunities in bonds, especially municipal bonds for taxable investors.

RWA wishes you and your families a wonderful holiday weekend and sends our gratitude to those brave men and women who have served our country and made the ultimate sacrifice.

Thank you for your interest in our investment commentary and for your relationship with us. If you would like to speak personally with a member of our team at any time, please click [here](#).

---

*The information set forth in this communication is presented by Ropes Wealth Advisors, a division of RWA Wealth Partners, LLC. The contents are for informational and educational purposes only and are not intended as investment, legal or tax advice. Please consult with your investment, legal or tax advisor concerning any specific questions you may have. Ropes Wealth Advisors cautions the reader that past results are not indicative of future performance. The historical return of markets generally and of individual assets classes or individual securities may not be an accurate predictor of future returns of those makers, asset classes or individual securities. Ropes Wealth Advisors does not guarantee the accuracy and completeness of any sourced data in this communication.*

Ropes Wealth Advisors  
800 Boylston Street Boston, MA 02199-3600