

Market Outlook: July 2024

Summer is upon us and here in Vermont we embrace each gorgeous moment. Sometimes I think of Vermonters as being solar generated, as we need to store up the warmth and sun of summer to prepare for the cold, dark months of winter. Perhaps that is true for all of us: the positive times nourish us for the more challenging times ahead.

In the U.S. we are certainly headed into a tumultuous time with the Presidential election just around the corner. Both candidates face an uphill battle between now and the election and voters are strongly divided between the candidates. The recent French and UK elections resulted in surprise wins to the populist or working-class parties. In the U.S., the candidate representing the working class is not as clear.

What is clear is that the economy is rather mercurial at the moment: early in the year unemployment was very low but so was the labor force participation rate; unemployment crept up to 4.1% in June but so did the labor force participation rate. Labor force supply, due to immigration and re-entry into the work force, has increased and has now reached pre-pandemic levels. Wage increases have risen along with this labor supply and due to still-strong inflation are far beyond sustainable levels. Recent European elections have resulted in support of wage growth for the working class. U.S. corporations need wage growth to decline in order to maintain strong earnings, while the populace needs wage growth to stay strong in order to maintain consumption amongst still high inflation.

Where the mercury will head next is unclear. As with the weather, we hope it will remain high but not too high. Regarding the economy, and the market reaction, a little cooler is desired.