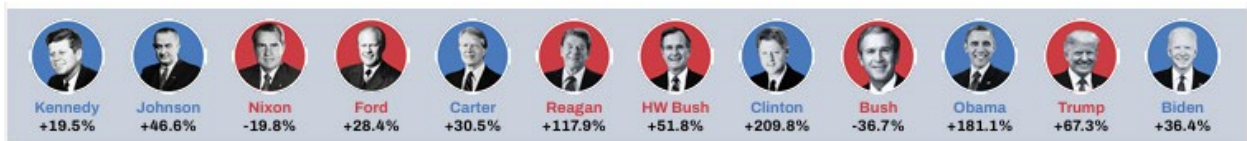




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## Archer 2024 3rd Quarter Outlook:



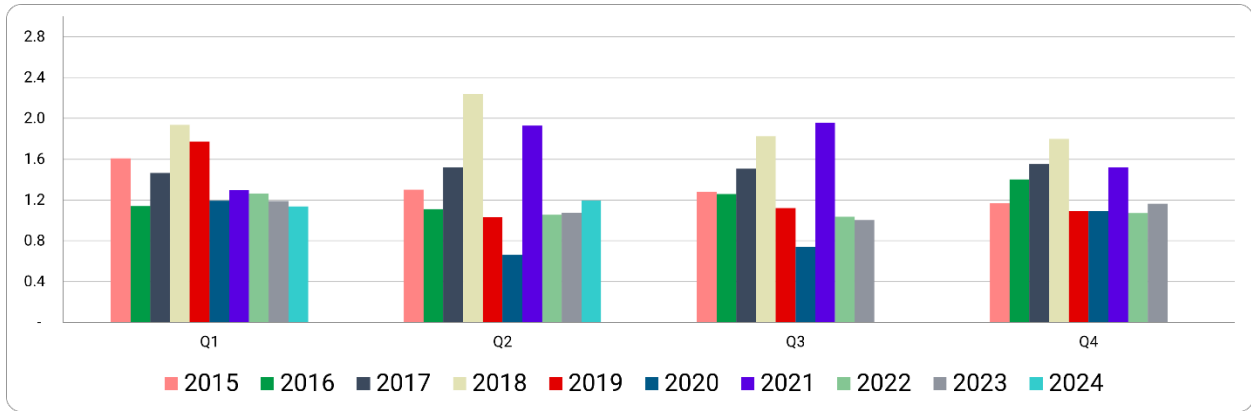
*“Other countries see our entrepreneurial spirit and seek to emulate it. They see how a vigorous, free society allows man to move on and grow. They see how we’re trying to make life better for man through scientific inquiry. They see us pushing into space. Other systems are locked on to the land, prisoners of a gravity of their own devising. America is a rocket, pushing upward and outward into space, into human history” – Ronald Reagan, July 4<sup>th</sup>, 1984*

The best days of America are still ahead of us. We have seen the country falling into a more divisive stance created by those intended to represent us, not speak for us. Let us not forget that as a collective group of people who are seeking the best for our families and neighbors, we have the ability to create our own freedoms, invest how we see fit for each of our circumstances, and define prosperity as we envision it.

The picture at the top of the page shows the returns of the S&P 500 under each of the past twelve Presidents. We see mostly positive numbers whether it is Red or Blue, except a few times during war, 9/11, or the financial crisis. Regardless of politics, a successful Presidential term is measured by the people and whether they have ‘more’ or ‘less’. Incumbent politicians are aware this and typically do everything in their power to ensure the people have ‘more’, in an effort to secure another term in office. We will leave the political discussion at that point.

Each quarter we highlight the following graph showing whether earnings are higher or lower compared to the same quarter a year ago. The stock market continued to move higher as second quarter earnings improved over last year. If we stay on this pace, we do expect the market to remain relatively flat as the

summer months typically lack strength and volume to move the market dramatically higher.



If earnings continue at this level, we should see the S&P 500 valuation level catch up to where it is currently. We do believe the stock market is overvalued currently and there is potential the market could be stagnant or even decline if earnings start to falter. However, earnings are expected to grow for the rest of 2024 and even 2025.

One way, earnings could continue to move higher is if the Fed were to lower rates. The fed funds rate sits at 5.25%-5.50%, and the 10-year Treasury yield is at 4.36% as we write this. Although the Fed is supposed to be non-partisan, they are looking for ways to lower rates either due to lower inflation, or pain to the consumer or markets. The below chart shows the job openings through 5/1/24. It is clear less jobs are available in the market, either due to getting back to normalcy after the covid constraints, or because companies are starting to tighten their belts or finding others to take jobs that previously went unfilled. Either way, job openings are still elevated compared to pre-covid, but getting closer. The economy was moving forward quite well leading up to covid as the chart clearly shows unemployment was in check and businesses were looking for employees. Now with businesses and consumers flush with cash, consumers are still spending (albeit starting to slow) and businesses balance sheets are strong.

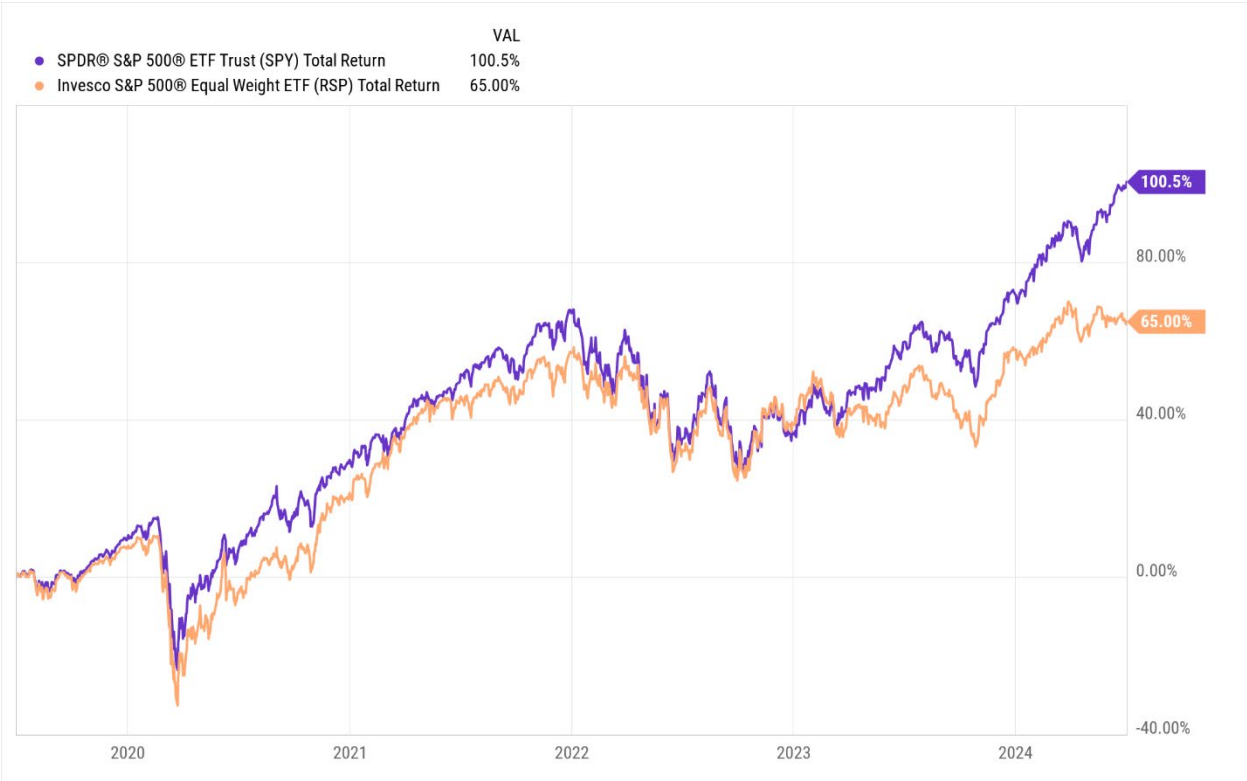
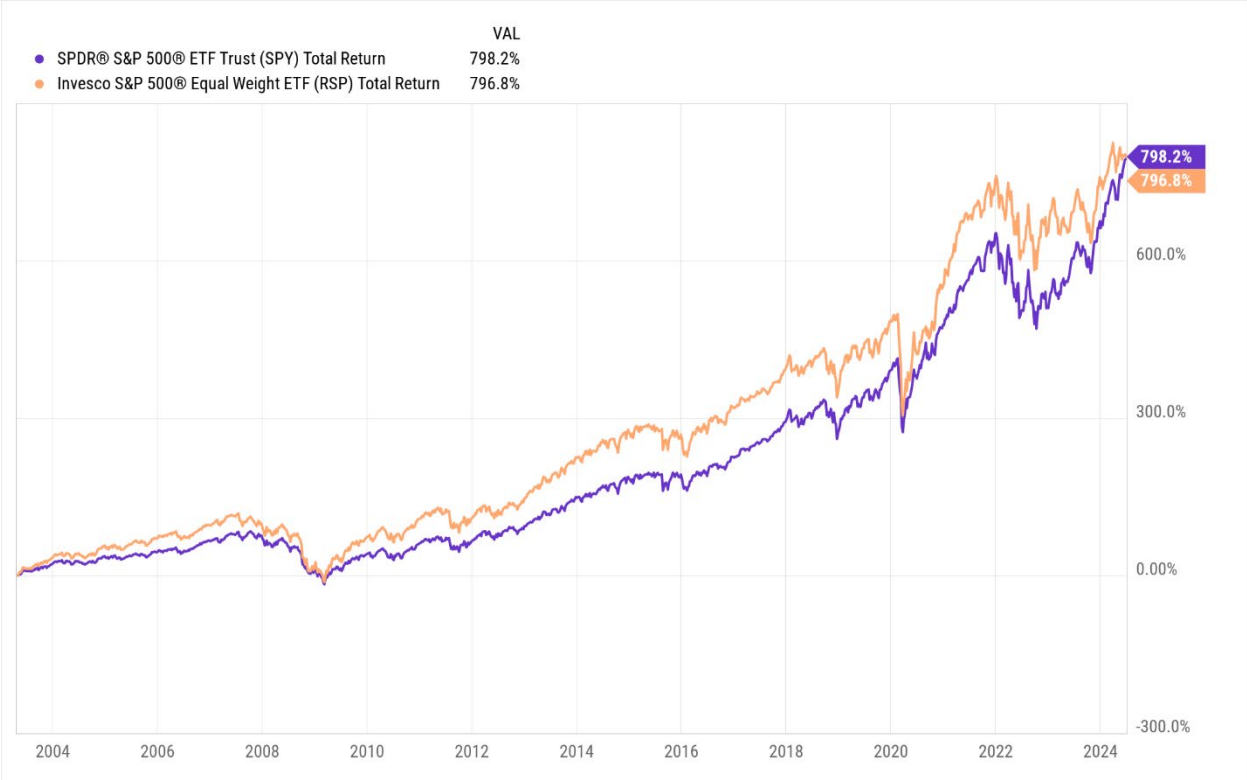


Artificial Intelligence (AI) has created quite a bit of optimism in the stock market lately and has been part of the reason the market (S&P 500) has moved higher by about 15% so far this year. However, it has clearly been concentrated in a few stocks. It is important to remind ourselves during times of optimism over something like AI, we need to focus on the consumer and if they are spending more or less and whether it is from debt or savings.



The above chart clearly shows a disparity of mass success in a few names driving the stock market higher. A better look is to see what the equal weighted index has done over the last 21 years compared to the stock market. We are using RSP and SPY to indicate return over this period looking at the last 21 years vs. the last 5 years. Over the last 21 years they have been fairly comparable in terms of performance and over the last 5 to 10 years, there has been quite the disparity.

We believe this disparity will find its reversion to the mean and the equally weighted S&P 500 index (RSP) will need to see returns equivalent to its cousin SPY for the market to continue its recent strength. A healthy stock market is one in which stocks are broadly participating in the move higher, not just a handful of companies. There are times when a handful of companies drive the markets higher, but ultimately those companies create additional opportunities in the future whereby the other companies move higher as well.



We will be diligent in watching earnings, inflation, and employment. We continue to like the prospects of the stock market over the long term. As we have stated in the past, a recession may be on the horizon at some point, but the timing and depth of a contraction is much less certain. While we have had an inverted yield curve for quite some time, much of this has been forced by the Federal Reserve and not necessarily by market forces as distortions from government spending during covid work through the system. Alternatively, we may continue to see “rolling recessions” in certain sectors or markets as others strengthen. Overall, the health of consumers and corporations continues to be very strong.

Regards,

**The Archer Team**

**Past performance is not a guarantee of future results.**

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**The indices cannot be invested in directly. The returns of the index do not include any transaction costs, management fees or other costs.**

**The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client’s investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of sale if asset values have fallen. No assurance can be given that an investor will not lose invested capital. The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, durations and timing of participation in an investment. A client portfolio’s risk tolerance, investment objectives, and investment time horizon should be considered with any investment. All investments carry a certain degree of risk, including the loss of principal and are not guaranteed by the U.S. government.**

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