

# 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 our quarterly commentary, followed by the returns of stock, commodities, and bond asset classes in the US and international markets.

### Overview:

[Q2 2024 Satovsky Asset Management  
Commentary: A Cat Has Nine Lives](#)

[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](#)

# A Cat Has Nine Lives

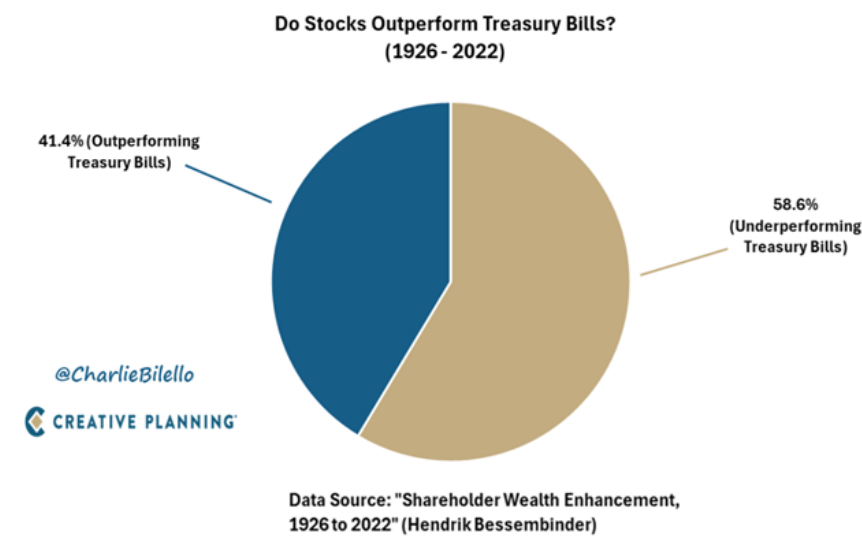
The market continued its fantastic run in the second quarter of 2024. But what I should really say is that the S&P 500 continued its fantastic run. The S&P rose another 4.3% in the second quarter, bringing year-to-date gains to 15.3%. Other markets weren't as good. US small cap stocks<sup>1</sup> were down 3.3% in the second quarter, and International markets were down less than 1% in the quarter, bringing year-to-date performance to up just over 5%.

Why the divergence? There are always lots of reasons, but the biggest is AI. The market generally believes that the largest companies in the world are the ones who will benefit the most, and excitement around AI is pushing the highest market cap companies to new heights. Within the S&P 500, companies related to the theme gained 14.7% in market value this past quarter, whereas the rest lost 1.2%.<sup>2</sup>

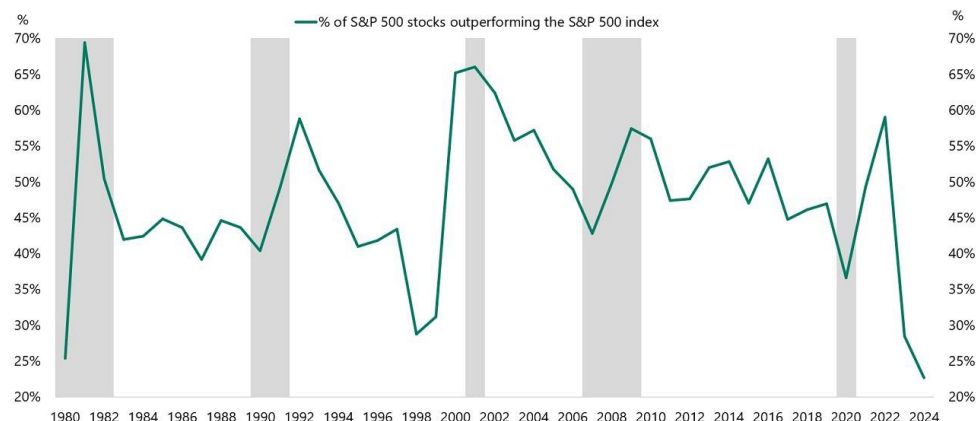
Remember, the S&P 500 is made up of approximately the largest 500 stocks in the US.<sup>3</sup> We spoke in last year's fourth quarter letter of the "magnificent 7"<sup>4</sup> driving the performance of the S&P 500. In the second quarter, that narrowed even further.

It is true that normally, much of the market's performance is centered around a minority of stocks. As you can see from the chart<sup>5</sup>, nearly 60 percent of stocks underperform treasuries, illustrating the benefits of diversification.

Nevertheless, 2024 has been extreme by historical standards. The chart below shows how a record-low number of stocks are outperforming the index – under 25%. What that means is that market concentration is at historical highs.<sup>6</sup>



Record-low percentage of stocks outperforming the S&P 500 index



<sup>1</sup> As measured by the Russell 2000 index

<sup>2</sup> Jon Sindreu, "The Quarter That Split the Market, in Six Charts", *The Wall Street Journal*, 6/30/24

<sup>3</sup> This is not exactly true; there aren't always 500 stocks in the index, and there are a myriad of reasons (liquidity, inside ownership, length of time as a public company etc.) why a large market cap company may not be chosen to be in the index. But for my point here, it is close enough to true.

<sup>4</sup> Microsoft, Apple, Meta, Tesla, Amazon, Google, and Nvidia

<sup>5</sup> Charlie Bilello, "This Week in Charts," June 14, 2024

<sup>6</sup> Torsten Slok, "The Daily Spark," July 11, 2024

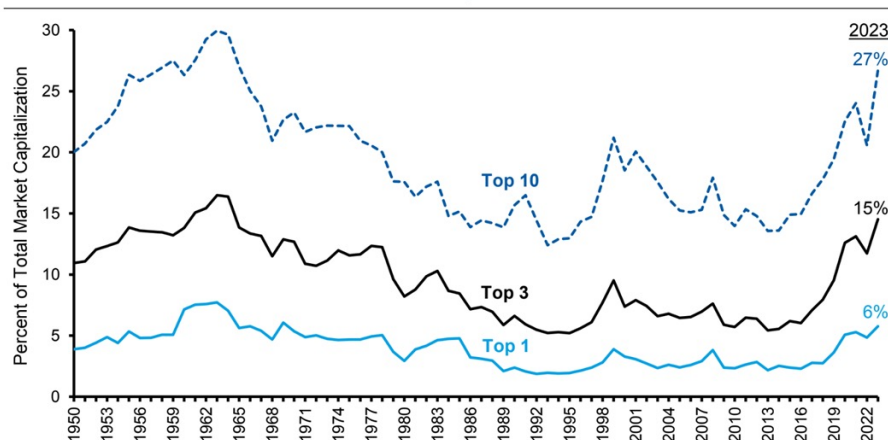
# A Cat Has Nine Lives

Nvidia alone accounted for 43% of the S&P 500's second quarter gain and nearly a third (31%) of the year-to-date increase.<sup>7</sup> Apple contributed 31% of the second quarter's gain. This means that three quarters of the S&P's Q2 growth came from just two stocks.<sup>8</sup>

Large-cap stocks are much more expensive than small-cap stocks

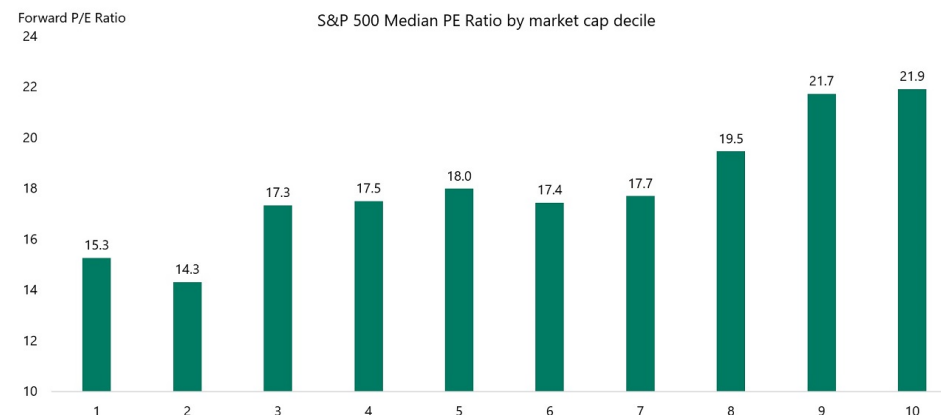
APOLLO

Exhibit 1: Stock Market Concentration in the U.S., 1950-2023



Source: FactSet; Compustat; U.S. Securities and Exchange Commission, Annual Reports, see [www.sec.gov/reports](http://www.sec.gov/reports); Counterpoint Global.

Note: Universe includes companies listed on the New York Stock Exchange, NASDAQ, and NYSE American stock exchanges, excluding American depositary receipts; Market capitalizations reflect calendar year-end.



## Berkshire

Berkshire Hathaway held its first annual meeting since Charlie Munger's passing. Berkshire put together a lovely tribute to Munger, calling him the architect of Berkshire. In his memory, I thought I'd pass along a few of his more famous quips that he said over the years<sup>10</sup>:

"If you mix the mathematics of the chain letter or the Ponzi scheme with some legitimate development like the development of the internet, you are mixing something which is wretched or irrational or has bad consequences with something that has very good consequences. But you know, if you mix raisins with turds, they're still turds." (2000)

"What I needed to get ahead was to compete against idiots. And luckily there's a large supply." (2014)

"A man who jumps out of a building is OK until he hits the ground." (2023, on government deficits)

What's the conclusion from all that? There are a few, but the biggest is that despite the market being "high," there are still reasonably priced stocks. Here's one chart which shows the valuation of small caps vs. large caps:<sup>9</sup>

Historically, small caps traded at a premium valuation, because there was more potential for growth. Today that's reversed. Satovsky has exposure to small caps in part for that reason.

<sup>7</sup> Fred Hickey, "The High Tech Strategist," July 1, 2024

<sup>8</sup> Ibid.

<sup>9</sup> Torsten Slok, "The Daily Spark," July 11, 2024

<sup>10</sup> These are from Andrew Ross Sorkin, "DealBook," *The New York Times*, May 4, 2024

# A Cat Has Nine Lives

## One-Day Settlement

One administrative note—on May 28, stock and ETF settlement went from two days to one day, which means that the cash gets credited into accounts one day sooner. If you ever need funds that require sales of stocks and ETFs, you just saved a day.

## Roaring Kitty Returns

I could put this story in the “interesting stories” section, but I think it’s too important for that. “Roaring Kitty” (aka, Keith Gill), the meme stock star, posted this on May 12.<sup>11</sup>



Roaring Kitty was one of the boosters on the Reddit subgroup WallStreetBets that started the meme stock craze years ago. But this was his first post since 2021. The new posts caused GameStop stock to rally 180% over two days, adding approximately \$10 billion in market cap to the company. That’s not a typo: \$10 billion for a picture (and video). Market participants can have disagreements about stocks—that’s fine. But \$10 billion on sitting forward in a chair? Meanwhile, since he last posted his bullish thesis on the stock, GameStop the company has been close to a trainwreck. Revenues and earnings are plummeting. To its credit, GameStop took advantage of the price increase and sold more stock to the public. Perhaps they know best when their stock is overvalued? I’m sure it doesn’t need repeating, but don’t fall for crazy stories like that—ever. The stock is down by 50% since the peak a month ago.

## Interesting stories from the quarter

Speaking of Roaring Kitty, he does have a sense of humor. Later in the quarter, he filed a 13G on Chewy, saying he owned more than 6.6% of the stock.<sup>12</sup> I’m guessing few to none of you have read as many SEC filings as I have; they are generally standard, boring fare, which requires certain information to be disclosed. But it doesn’t prevent you from disclosing additional information, which he decided to do.<sup>13</sup>

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 13G**  
Under the Securities Exchange Act of 1934  
(Amendment No. \_\_)

Chewy, Inc.  
(Name of Issuer)

Class A Common Stock, par value \$0.01 per share  
(Title of Class of Securities)

16679L109  
(CUSIP Number)

June 24, 2024  
(Date of Event Which Requires Filing of This Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)  
 Rule 13d-1(c)  
 Rule 13d-1(d)

Check the appropriate box to designate whether you are a cat:

I am a cat.  
 I am not a cat.

\* The remainder of this cover page shall be filled out for a reporting person’s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

<sup>11</sup> Along with a cryptic video. <https://x.com/TheRoaringKitty/status/1789807772542067105>

<sup>12</sup> One may correctly be curious where he got all the money from since his last GameStop post was approximately \$34mm in 2021, but his Chewy stock was worth \$242mm. Rumors abound.

<sup>13</sup> [https://www.sec.gov/Archives/edgar/data/1766502/000110465924076457/tm2418581d1\\_sc13g.htm](https://www.sec.gov/Archives/edgar/data/1766502/000110465924076457/tm2418581d1_sc13g.htm)

# A Cat Has Nine Lives

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Hilarious! No, he is not a cat.

Cryptocurrency is the gift that keeps on giving (for this segment of the newsletter, at least).<sup>14</sup> Why would anyone want this?

Werewolf Coin, a cryptocurrency that can only be used during the full moon, publicly launched today.

A project by an anonymous artist, Werewolf Coin can be transferred for 24 hours before each full moon and for 24 hours after each full moon. Astronomically, a full moon refers to the moment when the Moon is exactly 180 degrees away from the Sun.

No thanks!

Last year, when First Republic Bank went bankrupt, a bunch of other banks that have “First” or “Republic” in their names got nervous that they would face a run on the bank because of mistaken identity. One bank’s stock, Republic First, declined 40% in the month that First Republic went bankrupt. In response, the CEO wrote an open letter saying, “We are NOT First Republic Bank.” You would think that this kind of confusion wouldn’t happen with efficient markets, but it does. Well, a year later, Republic First has gone bankrupt, with its assets sold to another bank. Maybe the market is more efficient than we think? Truthfully, I doubt that it went bankrupt due to a run from the naming issue, but it sure is a coincidence!

Finally, last quarter I told you that my younger son needed to figure out which college to attend. He ended up choosing Harvard. I know he is grateful for the opportunity (as am I), and I’m 100% confident he’s going to do great there. Well deserved, Zach!







Thanks to all of you for your trust in our partnership.

Avi and the Satovsky Asset Management team

<sup>14</sup> This story is from Matt Levine, “Werewolf,” Bloomberg Opinion, June 18, 2024

# 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
<b>Q2 2024</b>	<b>STOCKS</b>				<b>BONDS</b>	
	3.22%	-0.60%	5.00%	-1.48%	0.07%	0.11%
						
<b>Since Jan. 2001</b>						
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

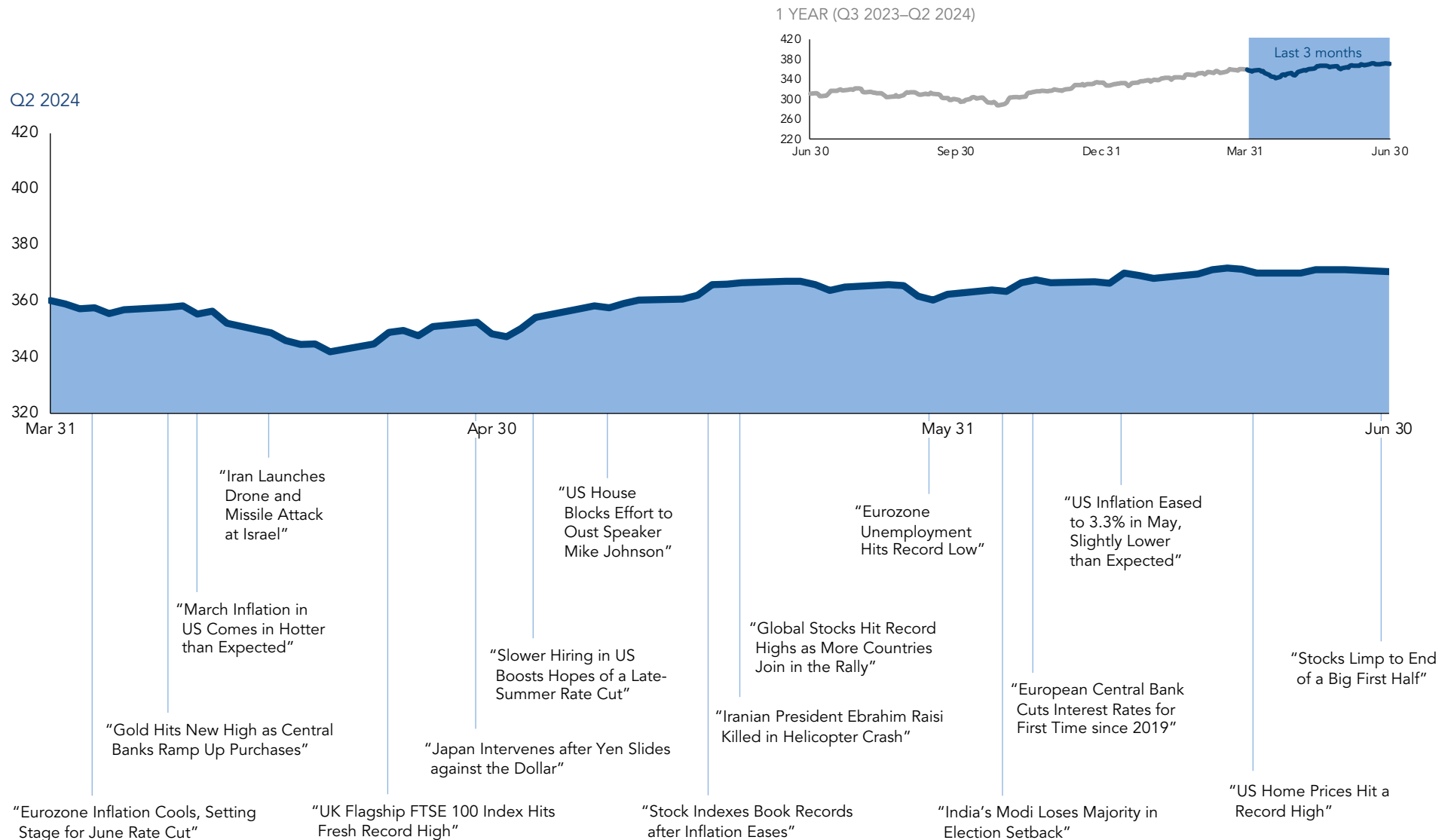
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>1 Year</b>	STOCKS				BONDS	
	23.13%	11.22%	12.55%	5.10%	2.63%	5.26%
						
<b>5 Years</b>						
	14.14%	6.55%	3.10%	0.65%	-0.23%	0.51%
						
<b>10 Years</b>						
	12.15%	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



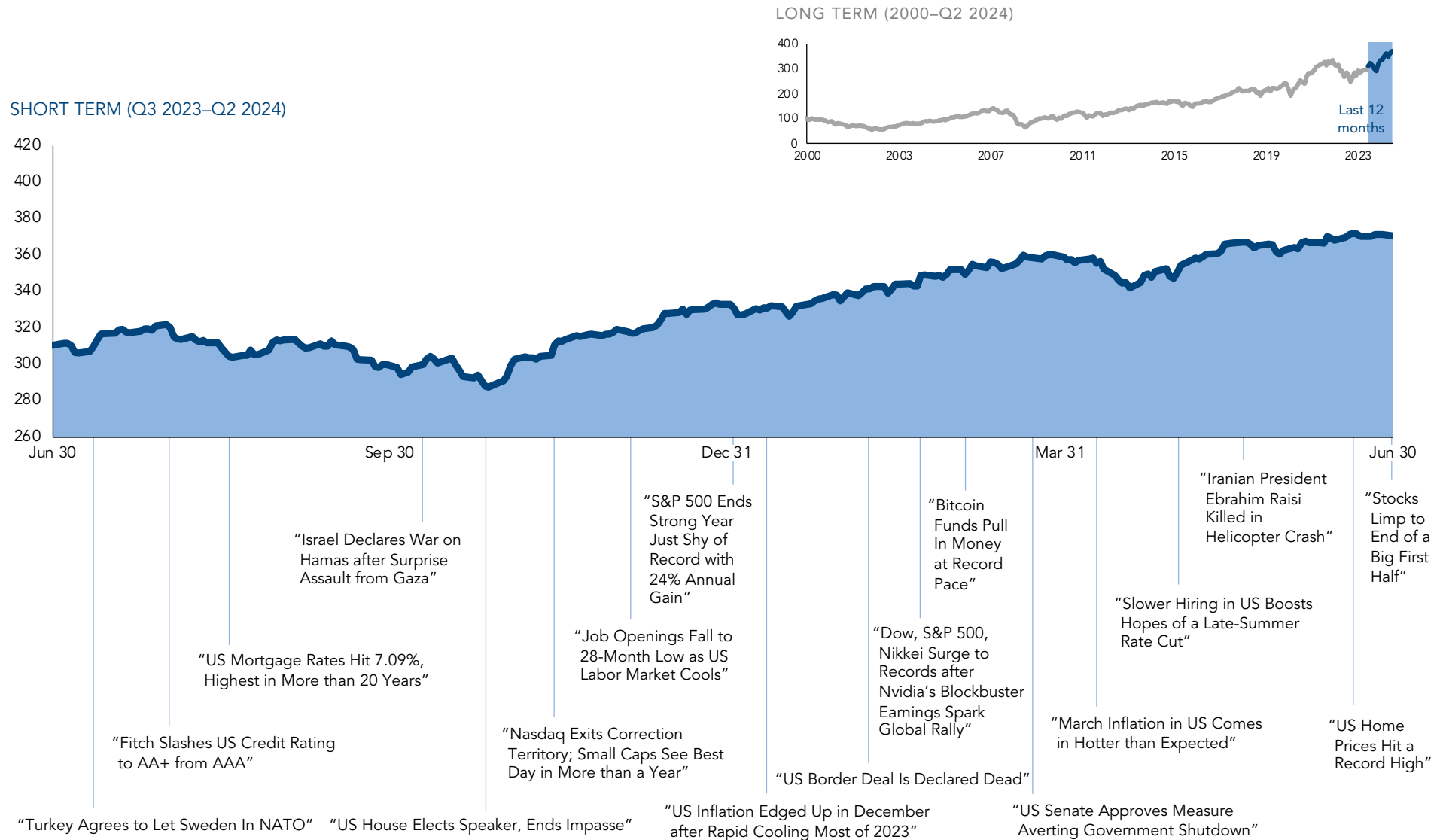
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

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

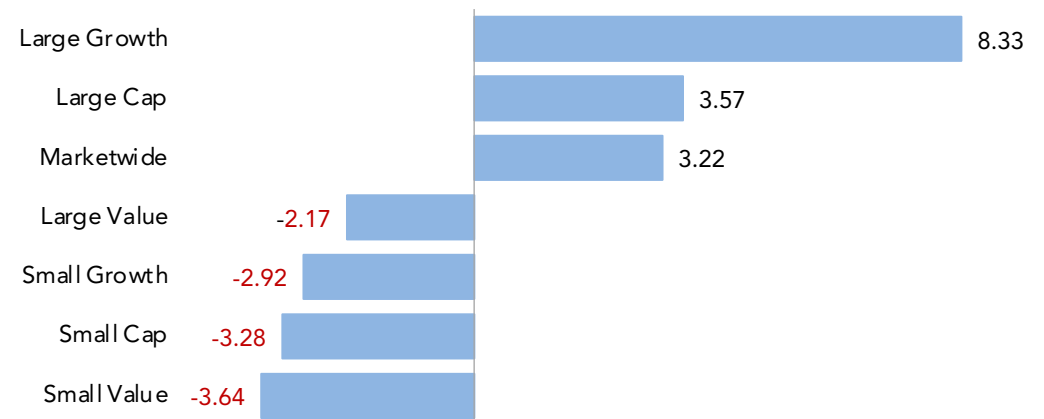
The US equity market posted positive returns for the quarter and outperformed non-US developed markets, but underperformed emerging markets.

Value underperformed growth.

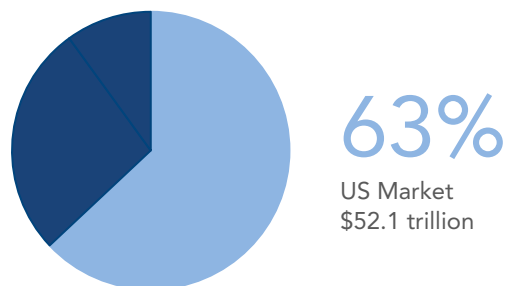
Small caps underperformed large caps.

REIT indices underperformed equity market indices.

### Ranked Returns (%)



### World Market Capitalization—US



### Period Returns (%)

Asset Class	QTR	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Large Growth	8.33	33.48	11.28	19.34	16.33
Large Cap	3.57	23.88	8.74	14.61	12.51
Marketwide	3.22	23.13	8.05	14.14	12.15
Large Value	-2.17	13.06	5.52	9.01	8.23
Small Growth	-2.92	9.14	-4.86	6.17	7.39
Small Cap	-3.28	10.06	-2.58	6.94	7.00
Small Value	-3.64	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. 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.

# International Developed Stocks

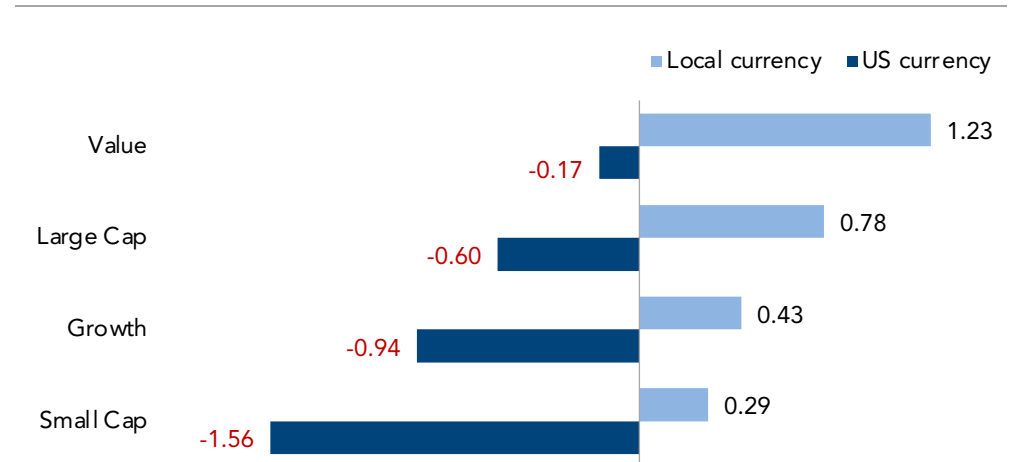
## Second Quarter 2024 Index Returns

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.

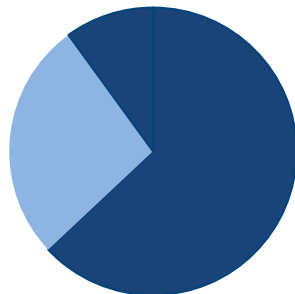
### Ranked Returns (%)



### World Market Capitalization—International Developed

26%

International Developed Market  
\$21.4 trillion



### Period Returns (%)

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

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# Emerging Markets Stocks

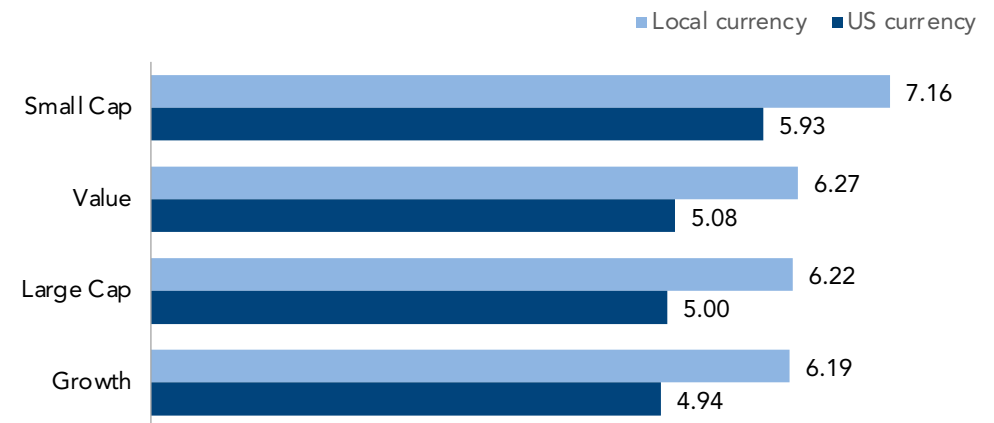
## Second Quarter 2024 Index Returns

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

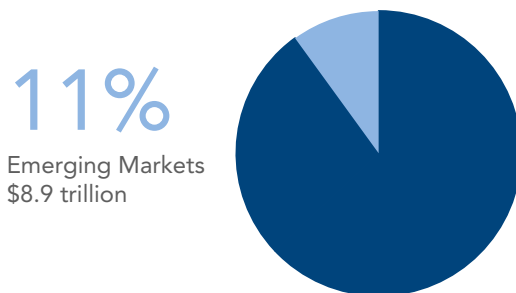
Value outperformed growth.

Small caps outperformed large caps.

### Ranked Returns (%)



### World Market Capitalization—Emerging Markets



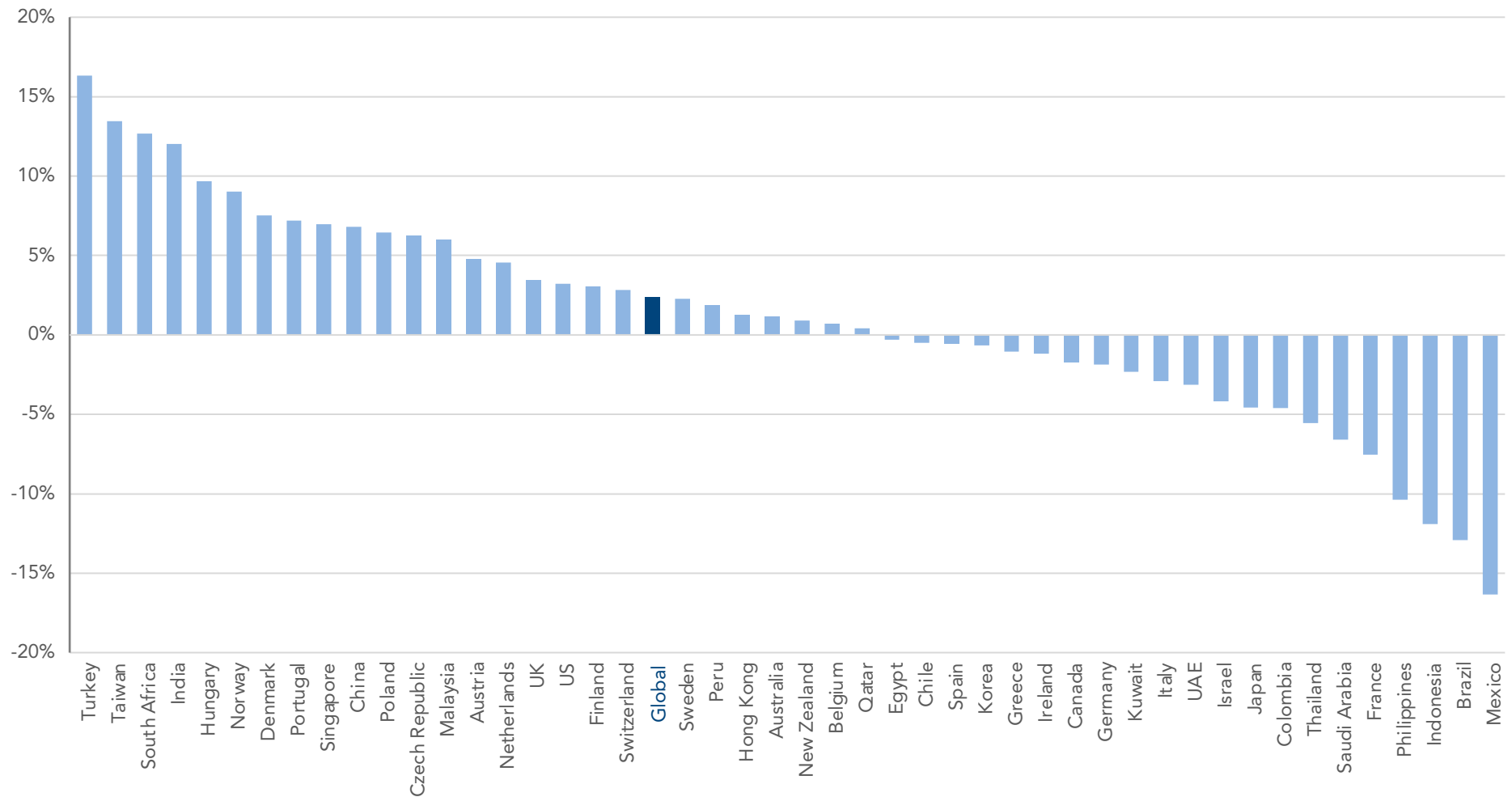
### Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	* Annualized
					10 Years*
Small Cap	5.93	20.04	2.54	9.99	5.15
Value	5.08	14.13	-1.09	2.91	1.96
Large Cap	5.00	12.55	-5.07	3.10	2.79
Growth	4.94	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.

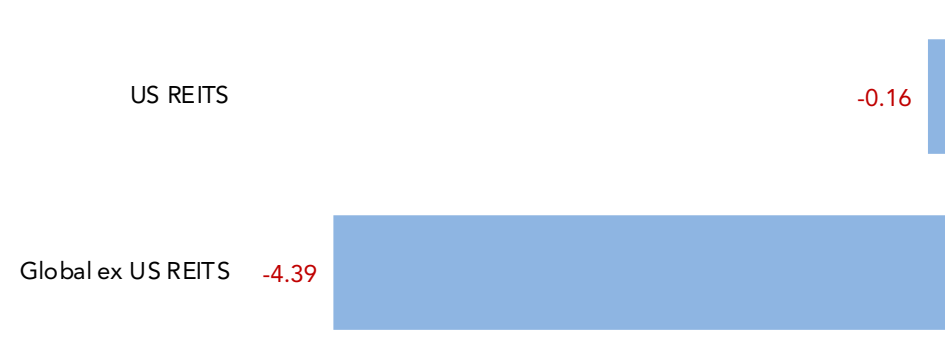
Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available 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)

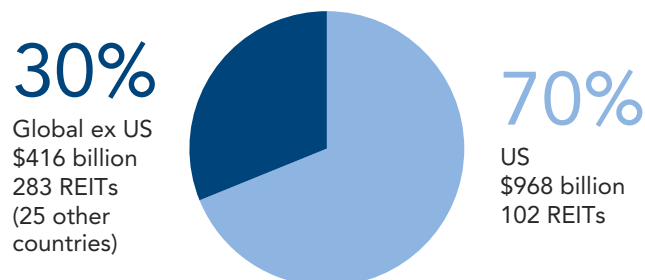
## Second Quarter 2024 Index Returns

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

### Ranked Returns (%)



### Total Value of REIT Stocks



### Period Returns (%)

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

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. 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.

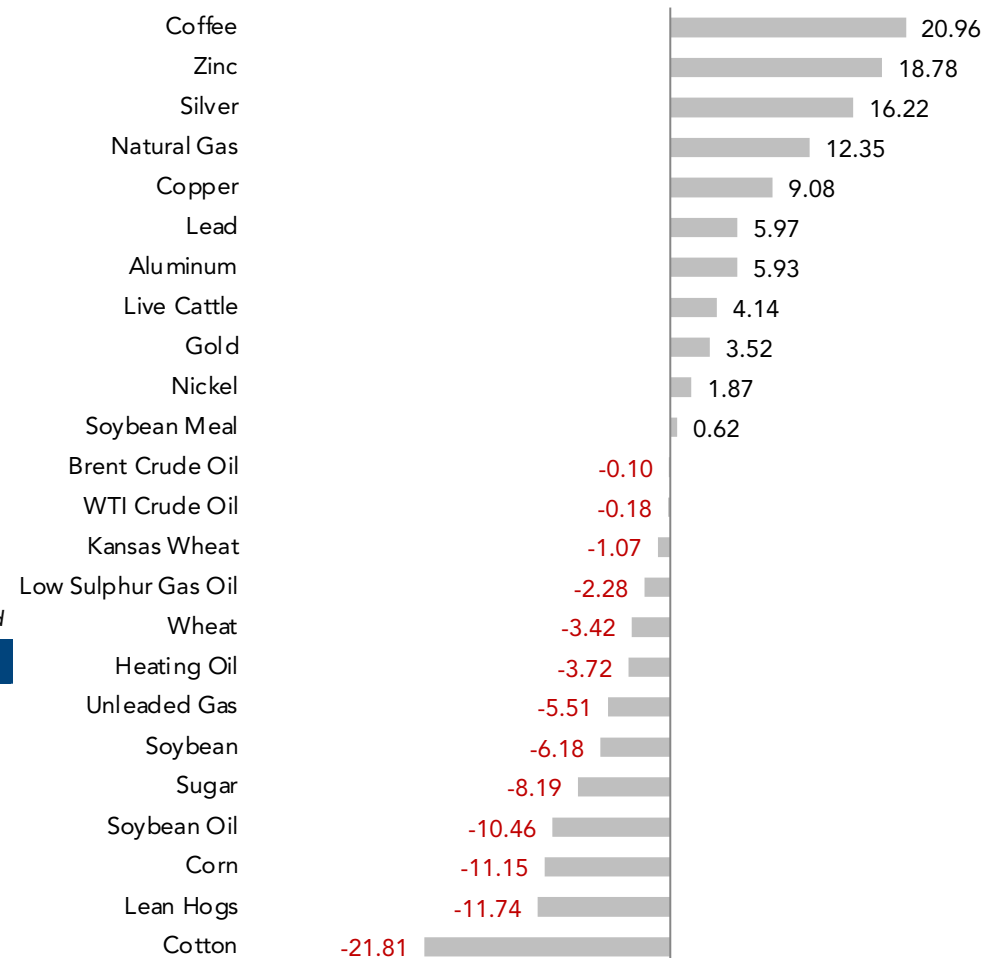
Coffee and Zinc were the best performers, returning +20.96% and +18.78% during the quarter, respectively. Cotton and Lean Hogs were the worst performers, returning -21.81% and -11.74% during the quarter, respectively.

### Period Returns (%)

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

\* Annualized

### Ranked Returns (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.



# Fixed Income

## Second Quarter 2024 Index Returns

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

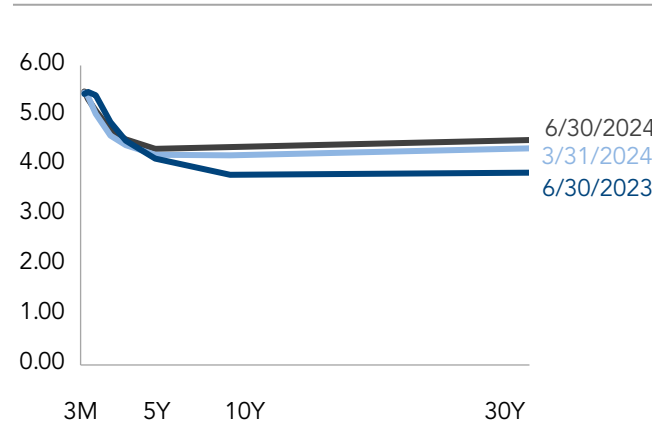
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 2 basis points (bps) to +5.47%, while the 1-Year US Treasury Bill yield increased 6 bps to +5.09%. The yield on the 2-Year US Treasury Note increased 12 bps to +4.71%.

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%.

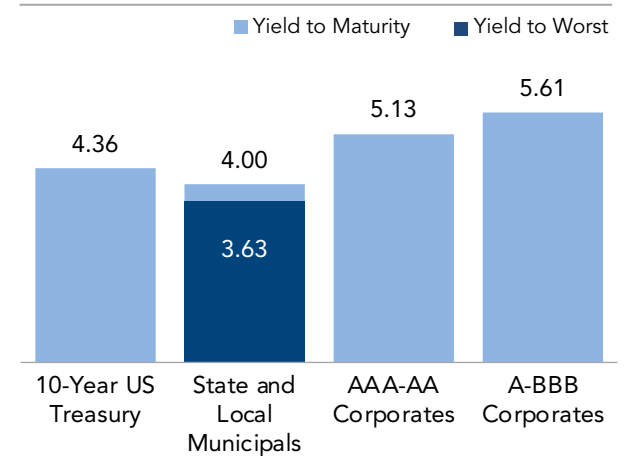
In terms of total returns, short-term US treasury bonds returned +0.77% while intermediate-term US treasury bonds returned +0.58%. Short-term corporate bonds returned +0.96% and intermediate-term corporate bonds returned +0.74%.<sup>1</sup>

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%.<sup>2</sup>

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Period Returns (%)

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

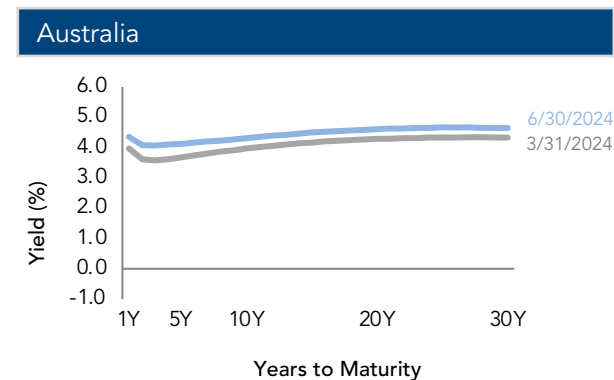
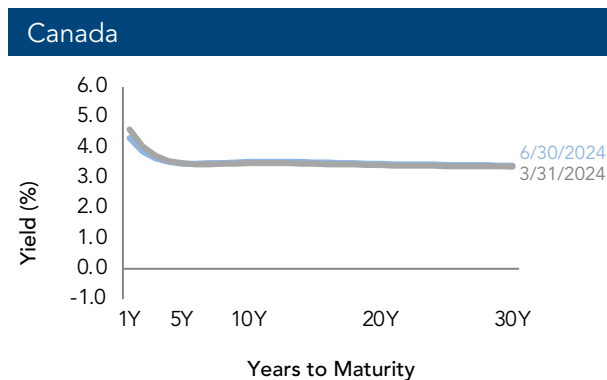
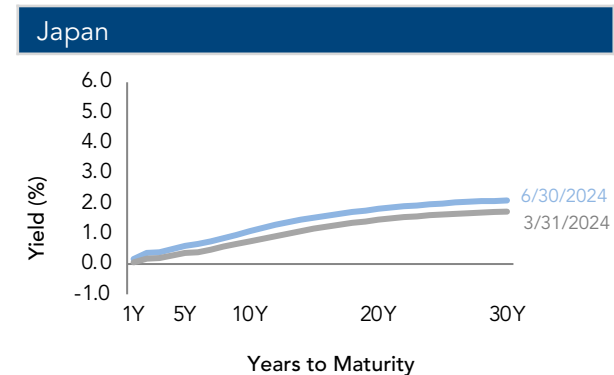
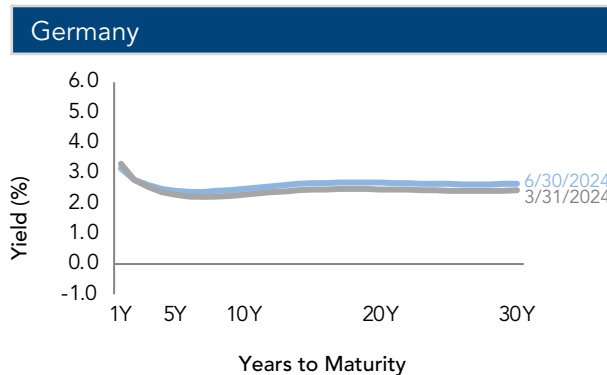
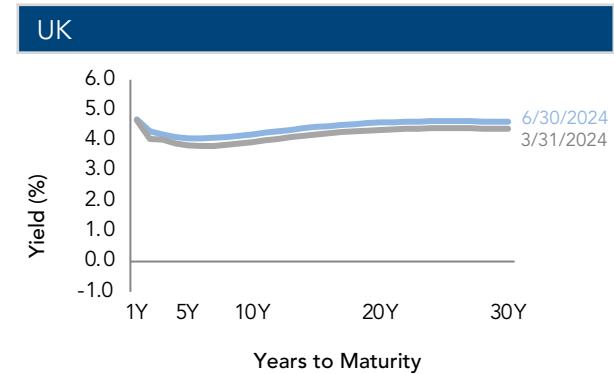
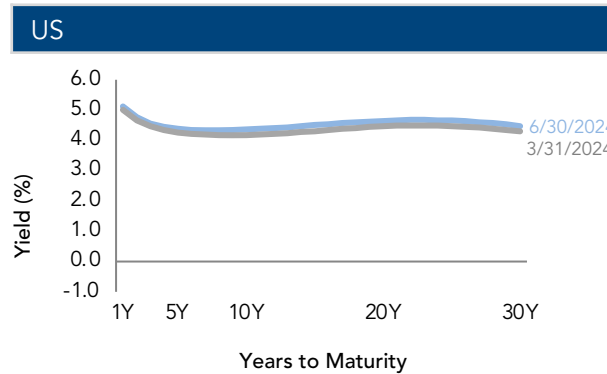
Interest rates generally increased across global developed markets for the quarter.

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



# Important Disclosures

July 2024

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