



Ropes Wealth Recaps an Emotional Week

It has been an emotional week. An assassination attempt, widespread computer system outages due to glitches at CrowdStrike and Microsoft, and a rambling Republican National Convention speech punctuated by promises to “drill, baby, drill” and “close our borders” had investors scrambling to reposition in response. Living martyr Donald Trump took the stage last night and delivered a record 93-minute address, beginning with a chilling recounting of the attack on his life before shifting to outline in broad strokes a preview of his presidency. He reinforced without details a promise to end inflation and reduce taxes. He previewed an “America first” foreign policy and positioned how his leadership would end wars around the world. He promised to roll back Biden administration efforts to combat climate change, direct all infrastructure spending to “roads and bridges,” and impose steep tariffs. As his words echoed across a packed house of delegates and supporters in Milwaukee, former President Donald Trump triumphantly accepted the GOP’s presidential nomination and promised to them and the world that he is on a mission to save democracy and America.

In the last two weeks since the first presidential debate, a so-called “Trump trade” has taken hold in the markets, reflecting a sector rotation where once-favored technology giants like Nvidia and Microsoft that have dominated gains are cooling off, and more value-oriented sectors like industrials, energy, real estate, financial services, and consumer staples are picking up the slack. For example, heading into today to cap off the week’s trading, the Dow Jones Industrial Average had advanced by +2.3% reflecting its more diversified composition while the tech-heavy S&P 500 Index and NASDAQ Composite were down -0.72% and -2.25%, respectively.

Notably, shares of small companies have also begun to rise, a key indicator of a broadening market as they have been laggards for much of the past couple of years. Of course, besides the “Trump trade,” another key factor influencing these stocks is the behavior of the Federal Reserve. Fed Chairman Jerome Powell has spoken recently of the improvement in inflation and did so again Monday in a conversation at the Economic Club of Washington.

“We’ve had three better readings. And if you average them, that’s a pretty good pace,” Powell said during a chat with David Rubenstein, club chairman and co-founder of the private equity firm Carlyle Group. The recent reports *“do add somewhat to confidence”* that inflation is slowing in a sustainable fashion, Powell said. Markets are now pricing in an almost certain cut in interest rates at the Fed’s September meeting.

Many of you are asking if a Trump victory is viewed more favorably by the markets. The former president’s economic plan of industry deregulation, tax cuts and a stronger stance toward some of America’s largest economic competitors are no question viewed favorably by the markets. Conversely, his anti-immigration stance and promise of higher tariffs on imported goods could be inflationary and will hit certain industries more than others.

Therefore, as hard as it may be, we urge you to be non-partisan in your investing. It is better to stay focused on the fundamentals of corporate earnings and valuations as political winds (and sector preferences) can change, and quickly. We preach diversification for the fundamental reason that a smooth sustainable ride in the investment markets is not created by trying to time what will or will not be in favor. Maintaining composure, political and otherwise, and discipline is critical to your long-term success.

Regardless of who comes into office – whether it is a second-round Biden administration (or a totally new candidate TBD) or a returning second-round Trump administration – either is going to encounter a number of lingering issues and challenges. The U.S. continues to face large budget deficits, a growing divide between asset holders and non-asset holders, a sizable labor shortage, higher inflation, broken infrastructure, and peaking geopolitical and international risks – none of which will be immediately eradicated regardless of the outcome in November. We also have a lot of positives going for us, including a growing technological dominance in the creation and deployment of artificial intelligence, our standing as a leader in healthcare research and innovation, energy independence, and a consumer base that is the most resilient in the world. To wit, despite a 23-year high in rates and still elevated prices, Amazon reportedly set a new “Prime Day” record this week, selling more during its two-day event than ever before. According to Adobe Analytics, consumers spent \$14.2 billion on July 16-17, up 11% from last year.

I started this note acknowledging it had been an emotional week. Today I am picking up my seventeen-year-old from his dream college after spending a few weeks in a program there studying journalism. When I arrived last night to pick him up, and he walked confidently out of his dorm standing over six-feet tall and with a bright smile on his face buoyed by dreams of his future, my heart skipped a beat. My son, with whom I played endless hours of pirates and knee hockey, is now a grown man, and one who stands on the precipice of his future. Like countless parents, I had that flash of humility recognizing the moment is upon me that I need to let him fly (and fail) without a net. He will do it, and there will be nobody more proud when he does than me. Drawing a comparison, big transitions take their toll on us as humans, bringing forward doubts and anxieties even as we contemplate hopes and dreams. Let us help you manage those anxieties with facts and high quality advice, so whether you are considering retirement, changes in health or family, or you are just pondering the future elections and what it means for you and your financial life, we will be there to pick you up.

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](#).

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