



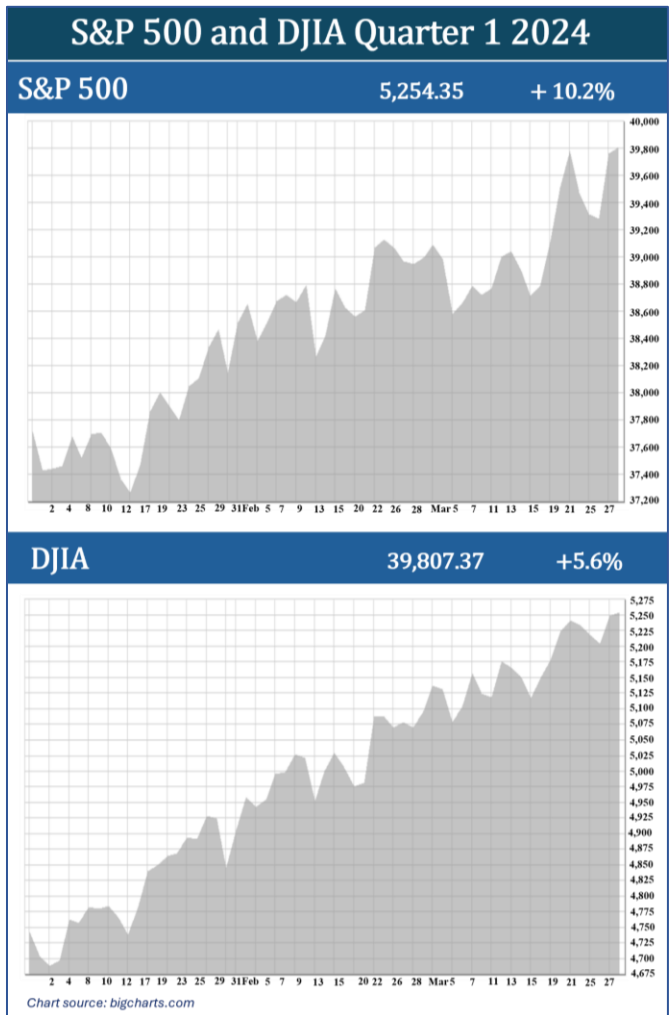
Quarterly Economic Update First Quarter 2024

The first quarter of 2024 continued to reward investors who stayed the course and enjoyed strong returns in 2023 as the momentum of 2023's year-end rally took another step forward. Both equity and bond markets performed well after the Federal Reserve confirmed that disinflationary trends were consistent and satisfactory enough for them to finally consider monetary easing beginning this year. The S&P 500 experienced its best first quarter since pre-pandemic in 2019. All three major indexes had strong finishes, and both the S&P 500 and the Dow Jones Industrial Average (DJIA) closed at record levels for the first quarter.

For the quarter, the S&P 500 advanced over 10% and closed the quarter at 5,254. The Dow Jones Industrial Average finished the quarter at 39,807, adding over 5%. (www.investopedia.com; 4/1/2024)

The resiliency of the U.S. economy continues to be impressive. Still facing the dragging feet of inflation and a healthy workforce, the Federal Reserve has affirmed that rate cuts are anticipated this year, however, as of the quarter's end we did not see the Fed reduce interest rates. During their March meeting, the Federal Open Market Committee (FOMC) maintained the federal funds rate of 5.25 – 5.5% but signaled that rate cuts were still on the horizon. Equity markets responded favorably to the optimistic news.

Inflation is still a major concern for investors and the Fed closely monitors the Consumer Price Index (CPI), which is a broad measure of goods and services costs. The CPI rose 0.4% in February and 3.2% from a year ago. The core CPI (CPI less food and energy) rose 0.4% for the month and was up 3.8% for the year. Energy costs increased 2.3%, which helped boost the inflation number. Gasoline, specifically, rose 3.6% in February and shelter costs, which remain high, increased 0.4% on a year over year basis. These two components accounted for over 60% of the monthly increase in the CPI. Data

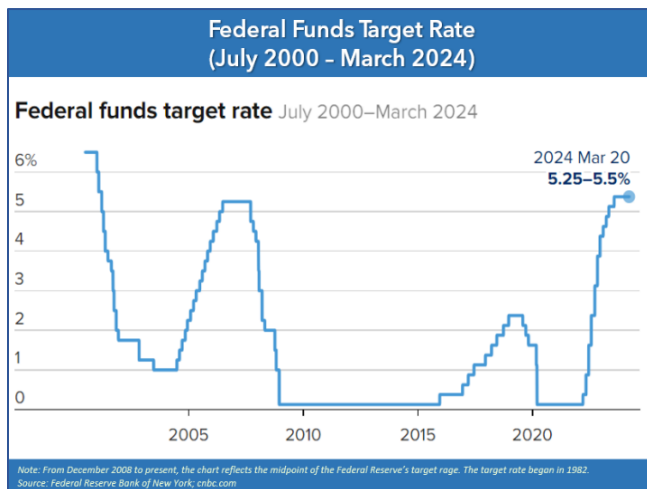


MONEY RATE

(as posted in Barron's 04/01/2024)

	LATEST WEEK	YR AGO
Fed Funds Rate*	5.33%	4.85%
Bank Money Market²	0.60%	0.32%
12-month Certif²	1.95%	1.61%

Z – Bankrate.com; * - Average effective offer (Source: Barron's; bankrate.com)



from trips to the grocery stores and restaurants were stagnant, as food costs remained the same on the month. (Source: www.bls.gov/news.release)

March employment statistics, which are considered a strong measure of health in the U.S. economy, were stronger than expected, coming in at 3.8%. This number indicates that the U.S. economy is still strong.

Overall, the first quarter of 2024 brought strong equity returns and bolstered investor confidence, however, we feel investors should be careful of becoming overoptimistic or complacent. We abide by our mantra of, “proceed with caution.” Now is a good time to review your investments and confirm they are still congruent with your time horizon, risk tolerance, and goals. As your financial professionals, we are committed to keeping you apprised of any changes and activity that could directly affect your unique situation.

Inflation & Interest Rates

The federal funds rates have not changed since July 2023, when the Fed raised rates by 25 basis points. The March 19-20, 2024, Federal Reserve meeting marked the fifth consecutive time in a row that rates were held steady at a range of 5.25-5.5%. The Fed’s statement released shortly after their March meeting concluded noted that, “Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated.”

While the inflation rate is well below the peak levels of 9.1% in 2022, it is still not at the desired level of 2% that

KEY TAKEAWAYS

- The Fed held their federal funds rate range steady at 5.25 – 5.50%, with no changes in the first quarter.
- Inflation for February came in at 3.2% compared to a year earlier.
- In March, the Fed indicated we may see three potential interest rate cuts in 2024.
- Several key factors could bring a possible market correction this year.
- Staying the course and maintaining the consistency of a well-devised, long-term focused plan has historically served investors well.
- ***We are here for you to discuss your unique situation.***

the Fed’s would like to see. This means the Fed believes that their tighter policy could last longer than anticipated to get back down to their 2% target rate. (Source: tradingeconomics.com)

The Fed is committed to their goal of a 2% inflation rate and optimal employment levels. Their mandate is to carefully watch the economy and assess incoming data to make appropriate decisions on if and when to lower interest rates. According to their notes, until the Fed has “greater confidence that inflation is moving sustainably toward 2 percent,” they do not anticipate reducing the target range. However, their meeting notes reflect that as of the quarter’s end, the Fed is still forecasting three rate cuts in 2024. (Source: federalreserve.gov, 3/20/2024 Press Release)

Interest rates and inflation are integral to investors and their financial planning, so we will continue to keep a watchful eye on any movements and stay apprised of key economic indicators.

The Bond Market and Treasury Yields

The quarter ended with the benchmark 30-year yield at 4.34% and the 20-year yield at 4.45%. With long-term rates lower than short term rates we have an inverted yield curve. While many analysts consider an inverted yield curve as a precursor to a recession, we have yet to see an economic downturn, leaving optimism for the Fed's prized soft landing. (Sources: Deutsche Bank; www.morningstar.com)

We will continue to closely monitor how the Fed's movements are affecting bond yields. With the Fed's anticipating interest rate cuts in 2024, this may narrow the opportunity to get lower-risk, higher yielding bonds. For anyone who is interested in exploring adding more bonds as part of a diversified portfolio, please contact us. As your wealth manager, we want to help you make the best decision for your portfolio. Please remember, while diversification in your portfolio can help you pursue your goals, it does not ensure a profit or guarantee against loss.

Treasury Par Yield Curve Rates as of March 28, 2024

5-year	10-year	20-year	30-year
4.21 %	4.20 %	4.45 %	4.34 %

Treasury.gov

Investor's Outlook

Although the year has started on a strong note, investors are always best served by preparing for volatility. Interest rate movements have been a major market influencer and how much, if, and when, are the three questions surrounding the Fed's anticipated rate cuts this year. The Fed's most recent notes show that the current interest rates cycle has probably peaked. While the Fed is still looking forward to rate cuts in 2024 and beyond, the timing remains uncertain.

Currently, the U.S. economy continues to show signs of strength and resilience. Could we see that soft landing the Fed has been discussing the last few years for the United States? The Fed's goal is to give us a soft landing and avoid a major recession.

While we may avoid a major recession, we believe volatility will remain due to several factors, including continued inflationary pressures, political uncertainty in the U.S., and continued global conflict. Geopolitical

S&P 500 Returns & Pullbacks After a Total Q1 Return of 10% or more*

Quarter	Quarter Return	Next Quarter Return	Rest of Year Returns	Maximum Pullback for Rest of Year
Q1 1954	10%	10%	39%	-4%
Q1 1961	13%	0%	13%	-4%
Q1 1967	13%	1%	10%	-7%
Q1 1975	23%	15%	12%	-14%
Q1 1983	10%	11%	11%	-7%
Q1 1986	14%	6%	4%	-9%
Q1 1987	21%	5%	-13%	-34%
Q1 1991	15%	0%	14%	-6%
Q1 1998	14%	3%	13%	-19%
Q1 2012	13%	-3%	3%	-10%
Q1 2019	14%	4%	16%	-7%
Q1 2024	Over 10%	?	?	?
Average (excluding 2024)	14%	5%	11%	-11%

*Rounded to closest % Data Sources: Truist IAG, Morningstar

risks, deficit spending and problems in commercial real estate are also factors that could cause serious economic problems. With many unknowns ahead, it is always possible to see a market correction (a decline of 10% or greater in the price of a security, asset, or a financial market) in the near future. Most economists predict that, should a market correction happen, it will be a modest one. According to the New York Fed, there is an over 58% chance that a U.S. recession (a significant, widespread, and prolonged downturn in economic activity) will happen within the next 12 months. (Source: barrons.com; 3/20/24)

As our chart shows, since 1954, after a first quarter of more than 10% returns in the S&P 500, the second quarter was higher nine out of eleven times. All those years included pullbacks (a temporary retreat of no more than 5-10% in the price of a stock) during the year, however, ten out of those eleven years ended with positive returns, with an average of 11% (coincidentally the average pullback was also 11%). Please remember as with all data, past performance does not indicate or guarantee future results.

While economic and inflation trends typically affect equity markets more than election results, this year includes a presidential race that will keep everyone on

their toes. There are also key races for the Senate and House of Representatives and election results could impact government policy and tax law, leaving much up in the air. We can be sure that the media will be hyper-focused on the upcoming election, however investors still need to remain focused on key factors such as economic growth, inflation movement, and interest rate changes when determining the best path for their investment decisions. As mentioned earlier, as of the quarter's end, equity markets were still experiencing a rally, however investors need to be prepared in case there is a potentially overdue pullback. Once again, 2023 and the first quarter of 2024 rewarded long-term investors and we stand by our belief that investing should be measured based on long-term results.

Because volatility could still be prevalent investors should continue to be cautionary when making any financial decisions. As always, a long-term strategy needs to be a benchmark for smart investors.



This is a time to stay vigilant and stay focused on your personal goals. Proactive preparation and providing you with a solid financial strategy that considers your risk tolerance, time horizon, and potential tax implications is our goal. We will continue to keep an eye on inflation rates, economic growth data, and monetary policy moves.

As always, before making any change to your financial situation, please contact us. We can help you assess your options and make sure your plan is still in alignment with your goals. We appreciate the trust and confidence you place in our firm.



"It's waiting that helps you as an investor, and a lot of people just can't stand to wait. If you didn't get the deferred-gratification gene, you've got to work very hard to overcome that." – Charlie Munger

In November of 2023, billionaire Charles Thomas Munger, an American businessman, investor, and philanthropist passed away at the age of 99. He was vice chairman of Berkshire Hathaway, one of the investment world's most respected investors and key business partner of Warren Buffett.

Both Munger and Buffett always excelled in simplifying the complicated world of investments with others. One of their main strategies was to carefully choose investments and hold onto them for long periods. Periods like the most recent six months have rewarded long-term investors. As both he and Buffett have always shared, patience is an important part of achieving investment results.



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Many of our best relationships have come from client introductions. If you know someone who could benefit from our newsletters and articles, please let us know and we can add them to our mailing list! We would be honored if you would add a name to our mailing list or encourage someone to schedule a complimentary financial checkup.

Please call Jessica Hansen at (714) 547-8787 and we would be happy to assist you!

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The S&P 500 is an unmanaged index of 500 widely held stocks that is general considered representative of the U.S. Stock market. The modern design of the S&P 500 stock index was first launched in 1957. Performance prior to 1957 incorporates the performance of the predecessor index, the S&P 90. Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. Past performance is no guarantee of future results. CDs are FDIC insured and offer a fixed rate of return if held to maturity. Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed.

There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. There is no guarantee that a diversified portfolio will enhance overall returns outperform a non-diversified portfolio. Diversification does not protect against market risk.

Sources: www.cnn.com; www.federalreserve.com; www.tradingeconomics.com; www.bankrate.com; www.forbes.com; www.nerdwallet.com; investopedia.com; www.morningstar.com; www.bigcharts.com