Yerba Buena Financial Partners

Weekly Focus – Think About It

"A politician needs the ability to foretell what is going to happen tomorrow, next week, next month, and next year. And to have the ability afterwards to explain why it didn't happen."

—Winston Churchill, former British Prime Minister

THE MARKETS

ARE WE WITNESSING AN HISTORIC EVENT?

For an airplane or a spacecraft, a soft landing occurs when the vehicle "touches the ground in a controlled and gradual way that does not damage it," according to The Britannica Dictionary.

For the American economy, a soft landing happens when the Federal Reserve raises interest rates to cool the economy and push inflation lower—and achieves its goal without causing a recession and significantly higher unemployment. It's not an easy task.

"Historically, soft landings have been tough to pull off…Keeping unemployment and inflation low while at the same time having robust growth is difficult. Threading that needle has proven to be quite elusive," reported a source cited by Aly J. Yale of *The Wall Street Journal*.

Solid economic growth, low unemployment, rising wages, and falling inflation have one Federal Reserve official and several economists declaring that the American economy has achieved this rare event—a soft-landing, reported Bryan Mena of CNN.

So, exactly how well is the U.S. doing?

"The extent to which America has outperformed other countries since the start of the COVID-19 pandemic is breathtaking. Its real GDP has expanded by more than 10 [percent], nearly three times as much as the euro area. Among the G20 group, which includes both rich countries and emerging markets, America is the only one where output is above pre-pandemic expectations, according to the International Monetary Fund," reported Simon Rabinovitch of *The Economist*.

Last week, "with an election and Federal Reserve meeting still to come, stocks faltered under the weight of the uncertainty," reported Teresa Rivas of *Barron's*. Major U.S. stock indices finished the week lower. Uncertainty about the direction of future government spending and its possible effect on Federal Reserve policy caused some turmoil in bond markets, too, reported Paul R. LaMonica of *Barron's*. Yields on longer maturities of U.S. Treasuries moved higher over the week, while yields on shorter maturities moved lower.

Data as of 11-1-24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.4%	20.1%	35.2%	7.5%	13.3%	11.0%
Dow Jones Global ex-U.S.	-0.9	6.4	20.4	-1.5	3.2	2.6
10-year Treasury Note (Yield Only)	4.4	N/A	4.8	1.6	1.7	2.4
Gold (per ounce)	0.5	32.0	38.2	15.2	12.7	8.9
Bloomberg Commodity Index	-2.2	-0.6	-5.9	-1.8	4.1	-1.8

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. *Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.*

PERCEPTION VS. REALITY

The human brain is complex and powerful. It runs on about 20 watts of power and brains need to be recharged, just like your cell phone does, according to Northwestern Medicine.

It's interesting to note that brains are not objective. They catalogue our experiences, beliefs, and emotions and then interpret what's happening around us. As a result, our reality on any given day is affected by "our personal physical abilities, energy levels, feelings, social identities, and more," reported Jill Suttie in *Greater Good Magazine*.

For example, studies have found that hills look steeper when people are:

- Tired.
- Wearing backpacks.
- Thinking of people they dislike.

In contrast, hills look less steep when people feel energetic or think of a supportive friend.

An August survey from the National Federation of Independent Business, a small-business advocacy group, reinforced the idea that there is a gap between economic perception and economic reality. The survey found that small business owners were quite optimistic about the financial state of their businesses, reasonably optimistic about the state of their local economies, and pessimistic about the state of the U.S. economy.

	Excellent/ Good	Okay	Poor
The current financial state of my business is:	70 percent	25 percent	5 percent
The current state of my local economy is:	36 percent	44 percent	20 percent
The current state of the U.S. economy is:	10 percent	32 percent	58 percent

When survey participants were asked when the United States might experience another recession, 52 percent said the U.S. economy was in a recession right now. A recession is a downturn in economic activity that lasts for a significant period. Economic data show the U.S. economy, as measured by gross domestic product (the value of all goods and services produced in the U.S.), has been growing since late 2020.

The answers were interesting because most businesses—small and large—experience declines in sales and profitability when the national economy is doing poorly or in a recession. The gap in perception and reality may reflect the fact that "people are upbeat about what they see directly but pessimistic about what they glean indirectly through media (and social media)," opined Rabinovitch of *The Economist*.

Best regards,

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Sources:

Andrew Zittell, CLU®, ChFC®, AIF®, RFC®is a registered representative with, and securities offered through LPL Financial, Member FINRA/SIPC.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

* To unsubscribe from the Weekly Market Commentary please email us at info@ybpf.com

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