Weekly Focus – Think About It

"Let go of who you think you're supposed to be; embrace who you are."

—Brené Brown, author

THE MARKETS

THE CENTRAL BANKS HAVE SPOKEN

No one expected the United States Federal Reserve to announce a rate change last week – and it didn't. But Fed Chair Jerome Powell's comments and the actions of other central banks led to new records being set in stock markets around the world, reported Randall Forsyth of *Barron's*.

"…the world's central banks, led by the U.S. Federal Reserve…have all but green-lighted lower policy interest rates in coming months in the expectation that inflation will continue to make downward progress without triggering recessions. The Fed's counterparts at the European Central Bank and the Bank of England similarly signaled lower rates ahead, while the Swiss National Bank made a surprise cut this past week…Meanwhile, major Latin American central banks, led by Brazil and Mexico, are well along in their rate cuts, having been much prompter in raising their rates to fight inflation starting in 2021, a year or more ahead of the Group of 10."

In the United States, a lower federal funds rate could be good news for consumers and businesses. So, how low could rates go?

The Fed's updated Summary of Economic Projections (SEP) shows that Fed officials expect the federal funds rate to move lower over the next three years, and beyond, based on what they know today. Here's the SEP year-by-year forecast:

- **2024:** 4.63-4.87 percent by year end. (Implying three quarter-point rate cuts over the year.)
- **2025:** 3.88-4.12 percent by year end. (Implying three quarter-point rate cuts over the year.)
- **2026:** 3.13-3.37 percent by year end. (Implying three quarter-point rate cuts over the year.)
- **Longer term:** 2.38-2.62 percent. (Implying additional rate cuts.)

When the fed funds rate moves lower, lending rates usually fall as well. So, consumers who buy a home or a car, apply for a home equity or business loan, or use a credit card over the next few years, could see lower interest rates.

U.S. stocks moved higher last week, and U.S. Treasury yields fell as the bond market rallied.

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Data as of 3-22-24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
						
Standard & Poor's 500 (Domestic Stocks)	**2.3%**	**9.7%**	**33.0%**	**9.9%**	**13.3%**	**10.9%**
Dow Jones Global ex-U.S.	**0.9**	**3.8**	**12.6**	**-1.3**	**3.4**	**2.2**
10-year Treasury Note (Yield Only)	**4.3**	**N/A**	**3.5**	**1.7**	**2.5**	**2.7**
Gold (per ounce)	**0.4**	**4.5**	**11.4**	**7.8**	**10.6**	**5.2**
Bloomberg Commodity Index	**-0.5**	**0.1**	**-3.8**	**5.2**	**3.8**	**-2.9**

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.*

HOW DO YOU MEASURE HAPPINESS?

he 2024 World Happiness Report relies on data obtained through a Gallup World Poll (GWP) that has been conducted since 2005. The GWP asks participants in various countries this question:

> "Please imagine a ladder, with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?"[7]

The happiness rankings reflect the three-year average (2021-2023) of the answers received. While the number of participants varies from country to country (and there are no responses for some countries in some years), the usual number appears to be around 1,000 participants per country.

Next, the researchers try to figure out why people in one country are happier than those in another country. The researchers reported that six variables – economic prosperity, healthy life expectancy, having someone to count on, freedom to make life choices, generosity, and freedom from corruption – explained more than three-fourths of the variation in scores.

In 2023, Finland was the happiest country in the world for the seventh consecutive year. The happiest countries included:

1. Finland,
2. Denmark,
3. Iceland, and
4. Sweden.

The least happy countries included:

140. Sierra Leone,
141. Lesotho,
142. Lebanon, and
143. Afghanistan.

The United States was not among the top 20 for the first time since the report was introduced in 2012. The U.S. ranked 23rd, down from 15th last year.

"For the United States, Canada, Australia and New Zealand, happiness has decreased in all age groups, but especially for the young, so much so that the young are now, in 2021-2023, the least happy age group. This is a big change from 2006-2010, when the young were happier than those in the midlife groups, and about as happy as those aged 60 and over. For the young, the happiness drop was about three-quarters of a point, and greater for females than males."

The difference in reported happiness between older and younger Americans was quite large. Americans who are age 60 and older ranked 10th for happiness, while Americans who are age 30 and younger ranked 62nd.

Best regards,

Andrew Zittell
Yerba Buena Financial Partners

Sources:

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* 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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1010 B Street, Suite 217 | San Rafael, CA 94901
(O) 415.334.8000 | (F) | 415.334.8500 | (M) 415.225.4639
andrew.zittell@ybfp.com | www.ybfp.com