

March 2024

Dear client,

Fresh off a great 2023 for the equity markets, so far 2024 has followed the same script with the S&P 500 index already up close to 10 % (through the end of March). Evan Simonof, from **Financial Advisor Magazine** said, “Fed up with recession predictions that fail to materialize, Wall Street conventional wisdom has settled on the idea that the economy will enjoy a soft landing.” Personally, I have been around long enough in this business to be leery when all of Wall Street is leaning in one direction. I strive to maintain composure, to never get too excited about the good times and not too down about the bad times. I think a continued measured approach to asset allocation, by keeping equity allocations in your comfort range and not trying to chase the latest hot sector, still makes the most sense.

Our economy continued to grow with GDP increasing at an annual rate of 3.2% in the 4th quarter. Consumer spending continues to be strong. The labor market continues to be tight, with the latest unemployment rate of 3.90%. The long-term average unemployment rate sits somewhere around 5.8%. Core CPI (which excludes volatile food and energy items and are watched most closely by the Federal Reserve), increased 0.4% in February – but still lowered the annual increase from 3.9% to 3.8%. Expectations were for Core Inflation to slow to 3.7%.

This tells me that the Federal Reserve may not be in any rush to start cutting rates. After all the work it has done to try to fight inflation, the last thing they want to do is start to cut rates before they have inflation under control. I believe it's prudent to expect 2 rate cuts for 2024 (current Wall Street consensus is for 3 cuts). At the start of the year, Wall Street had been looking for 4 rates cuts to the tune of 1% total for 2024. **First Trust** summed it up perfectly when it said, “Instead of obsessing over slight policy shifts in monetary policy, we think investors should be focused on innovation, entrepreneurial risk taking, and corporate profits. In the end, it's these factors that will drive stock market valuations the most, not the vagaries of all the short-term interest rate target by the mandarins of money.”

However, massive budget deficits continue to make us uneasy, as the national debt continued to climb over the last decade. The current US National Debt sits at about 33.17 trillion dollars. That debt has more than doubled just since 2008, when it sat at 14.06 trillion. To put this in context, it took over 45 years for the national debt to double, when in 1946 it was at 4.2 trillion and in 1992 it hit 8.82 trillion. Regardless of which party is elected to serve this country over the next 4 years, I sincerely hope that fiscal responsibility is on top of the agenda. Running these massive budget shortfalls each year during relative peacetime and low unemployment is most concerning.

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In 2024, people almost everywhere will get to speak their minds. An estimated 49% of the world's population (in 64 countries) will be eligible to vote, so the world's political leadership could look very different in the next 12 months. I suspect it will be a volatile period as we near the US presidential election in November, but I continue advising to remain calm and confident in your investment plans that have worked for you over the long term.

I know that it has been a bit more challenging recently, pulling tax information together with the changeover during 2023 from **TD Ameritrade** to **Schwab**. Again, thank you for your patience with this issue, but with the peak of tax season almost behind us now, next year's tax time should be far easier to gather all the needed documentation.

Overall, processes and procedures with **Schwab** have continued to become smoother, and as we get more time under our belts, we are optimistic that we will continue to see more improvements and additional capabilities from our new custodian. Our team will continue to be committed to helping address any issues that you may have from the changeover, so please do not hesitate to let us know.

As always, if you have any questions or concerns, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryan Bastoni', with a long horizontal flourish extending to the right.

Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER