TheDiamondGroup
WEALTH ADVISORS

Weekly Focus – Think About It

Instructions for living a life:
Pay attention.
Be astonished.
Tell about it.
—From Sometimes by Mary Oliver

THE MARKETS

PERCEPTION VERSUS REALITY

A recent Harris poll, conducted on behalf of *The Guardian* newspaper, found that there is some confusion about the state of the American economy and U.S. stock market performance. A significant proportion of the Americans who participated think the economy and the stock market are in rough shape. Here are a few of the misperceptions uncovered by the poll:

- **Misperception No. 1:** The United States is in a recession, according to 56 percent of poll respondents.
  Reality: The U.S. is not in a recession. The economy has been expanding, not shrinking. Here are the statistics for recent U.S. economic growth (after adjusting for inflation):

  2020: - 3.5 percent (pandemic year)

  2021: + 5.8 percent

  2022 + 1.9 percent

  2023 + 2.5 percent

  2024: + 1.6 percent (first quarter 2024)

- **Misperception No. 2:** The Standard & Poor's (S&P) 500 Index is down for the year, according to 49 percent of poll respondents.

  Reality: The S&P 500 was up 11.2 percent, year to date, through the end of last week. In 2024, the Index has charted 24 all-time highs, reported Jan-Patrick Barnert, Alexandra Semenova, Geoffrey Morgan and Michael Msika of Bloomberg.

- **Misperception No. 3:** Inflation has been rising, according to 72 percent of poll respondents.

  Reality: Inflation has been trending lower. In April, inflation was 3.4 percent over the previous 12 months. While that rate is higher than the Fed's target rate, it is far lower than inflation in June 2022 when it peaked at 9.1 percent.

  The confusion may be related to the fact that prices remain higher than they once were. There was some positive news on that front, last week. Several major retailers announced they are lowering prices on groceries and other items, reported Jaclyn Peiser of *The Washington Post*.

- **Misperception No. 4:** U.S. unemployment is near a 50-year high, according to 49 percent of poll respondents.

  Reality: Unemployment is near a 50-year low. The average U.S. unemployment rate from 1947 through 2023 was 5.7 percent. In recent years, the unemployment rate has been:

  2020: 8.1 percent (Pandemic year)

  2021: 5.3 percent

  2022: 3.6 percent

  2023: 3.6 percent

  2024: 3.9 percent (April 2024, year over year)

Major U.S. stock indices finished the week mixed. The Nasdaq Composite Index finished the week higher, while the S&P 500 Index was flat for the week, and the Dow Jones Industrial Average lost ground. Yields on most maturities of U.S. Treasuries rose over the week.

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Data as of 5/24/24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.03%	11.2%	29%	8.4%	13.2%	10.7%
Dow Jones Global ex-U.S.	-1.1	5.2	12.8	-1.8	4.3	1.8
10-year Treasury Note (Yield Only)	4.5	N/A	3.7	1.6	2.3	2.5
Gold (per ounce)	-2.5	12.7	20.3	7.6	12.8	6.3
Bloomberg Commodity Index	-0.7	6.5	4.4	4.7	5.9	-2.5

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.

LOOKING FOR A GRADUATION GIFT?

Graduation season is well underway. If you're looking for a gift for a high school or college graduate, consider giving one or more shares of appreciated stock. This is usually done by transferring shares from your account to the recipient's account.

There can be significant benefits to gifting an appreciated asset, including:

- **Realizing a tax advantage**. When people gift shares of appreciated stock, they may realize a tax advantage. Typically, when shares that have increased in value are gifted to another person, the gift giver does not owe capital gains tax on the shares.

- **Allowing the asset to grow over time**. The gift recipient may owe tax when they sell the shares, depending on the sale price and the recipient's tax bracket. If the shares remain invested, though, they have an opportunity to grow over time.

- **Creating a teaching opportunity**. When gifting shares, share the story of the stock with the recipient. Why did you buy it? How much has it appreciated? Do you think the recipient should keep it or sell it? Gifting shares creates an opportunity to share knowledge and increase financial literacy.

The government limits the amount of money that can be gifted to an individual without paying a gift tax. The annual gift tax exclusion is $18,000 per recipient in 2024. In general, a person can give up to $18,000 per recipient without having to pay a tax on the gift. Appreciated shares can also make great birthday and holiday gifts.

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There can be complexities when gifting an appreciated asset. If you would like to explore the idea, give us a call.

Best regards,
Marilyn Suey

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

Sources:

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* 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.

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* 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 **Your Weekly Journal** please email us at marilyn.suey@diamondgroupwealthadvisors.com

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