

June 2024

Dear Client,

As we close out the 2nd quarter of 2024, getting into the longer days of summer, it feels as though time slows down a bit, and we find that the S&P 500 Index is already up almost 15%! If the market did nothing between now and the end of the year, we would be very happy with these kinds of returns.

Unfortunately, as we are well aware, volatility can creep back in at any point and cause the market to veer off track. The primary focus of the market has been on the Federal Reserve and the timing of interest rate cuts. At this point it appears as though we will get one rate cut toward year end. The market, for the time being, has been content knowing that the next move is a cut and not a hike. But the markets patience may run thin if we don't see that happen sooner rather than later. Making things even more interesting, we have a presidential election less than five months away!

Financial Advisor Magazine's Jennifer Lea Reed, just put out a great article titled, "**Vanguard Looks at Market Timing and Sees a Terrible Idea**". Vanguard recently looked at the performance of equities from June 1996 to March 2024 (28 Years). Stocks during that period yielded a 9.7% annualized return, or 1,218% cumulatively. While this included several historic bull market runs, it also included five bear markets, in which stocks dropped 20% to 55%. "Everyone would love to miss out on the worst days," says Chris Tidmore, senior manager at Vanguard, "But the really important thing is when you do that, you usually miss out on the best days, because the two usually cluster together."

In a bull market, the greatest single day gain between 1996 and 2024 was 7.2%, while the biggest single day loss was a drop of 7.0%. In a bear market, the greatest single day gain was 11.4% and the greatest single day loss was 12.3%. When the market is going down, you get more volatility, which includes really bad days and really good days! Enclosed is a piece from Vanguard titled "**Timing the Market is Futile**", that helps illustrate that point.

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Vanguard took this a step further and looked at a balanced portfolio of approximately 60% equities and 40% bonds over that same time frame. If the portfolio was left fully invested (and left alone from market timing), the \$100,000 would have grown to \$865,000. But, if an investor tried to time the market and accidentally missed out getting back in on just the five best days over those 28 years, the \$100,000 would have grown to only \$659,000. Miss the best 10 days, and the investor would end up with just \$540,000. A thoughtful long-term approach to investing tends to produce the best outcomes. Markets don't always go up, but in any given year, the stock market is positive greater than 70% of the time!

For our clients, re-balancing periodically based on your risk tolerance level is key. If you are getting a bit uneasy, we can take advantage of strong periods in the market, like this period, to reduce equity percentages a bit (lowering overall portfolio risk). Or should you have any large expenditures coming up, take advantage of the market to draw up the needed cash, whether for an expense or just for normal distribution needs.

On the fixed income side of the portfolio, CD's and Treasuries have been a great option, but as these shorter-term CD's and Treasuries come due, we may start to suggest going out a little longer on the yield curve, as we anticipate interest rates to start trending down slowly in the next 12 months. Rather than just rolling over to a new 1 year, you may want to start building a bit of a ladder – 1 year, 2-year, 3-year, etc.

Once again, we urge all of our clients to be sure to schedule in at least one yearly update/review with us; either via phone, Zoom, or in person. It's important for us to understand your overall financial picture, which may have changed over time.

In the meantime, please do not hesitate to reach out to us with any questions at all. We are here to help in any way that we can. Our firm's continued success is because of the many families, like yours, that have put your trust in us.

Sincerely,



Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM

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