



Weekly Focus – Think About It

"The past is always tense, the future perfect."

— *Zadie Smith, Novelist*

THE MARKETS

AMERICANS MAY BE WITNESSING SOMETHING REMARKABLE

Earlier this year, we had the relatively rare opportunity to view a total solar eclipse – when the moon passes between the sun and the Earth, blocking the sun completely – as it crossed numerous states. Now, we may see the United States' economy experience a soft landing – when the Federal Reserve raises rates to fight inflation and does not cause a recession.

"According to the conventional wisdom, the Federal Reserve has managed to achieve only one soft landing in the past 60 years—in 1994–1995," wrote economist Alan Blinder in an abstract for the *Journal of Economic Perspectives*.

Blinder's research suggests that soft landings are more common than conventional wisdom suggests – but not easy to achieve. From 1965 to 2022, the Federal Reserve tightened monetary policy to fight inflation eleven times. In five cases, the Fed achieved a soft or softish landing. It appears that the Fed may be about to add another soft landing to the list.

The U.S. economy grew 2.8 percent in the second quarter of 2024 (after inflation), which is faster than economists expected. The economy grew as businesses continued to invest and consumers continued to spend on goods and services, according to figures released last week by the U.S. Department of Commerce.

"A robust economy is a good sign for the average consumer, and because it came in tandem with positive data on prices, it is in line with the soft landing of a healthy economy and cooling inflation that Federal Reserve officials are looking to achieve. Economists consider real GDP growth rates of between 2% and 3% to be healthy in developed economies... The personal consumption expenditures price index increased 2.6% during the second quarter—the slowest pace since the first quarter of 2021. That is a marked slowdown from the 3.4% pace recorded in the first three months of the year," reported Megan Leonhardt of Barron's.

Markets moved lower early in the week and then regained some lost ground after economic growth and inflation figures were released, reported Connor Smith of Barron's. By the end of the week, the Dow Jones Industrial Average was up, while the Standard & Poor's 500 Index and

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Nasdaq Composites indexes finished the week lower. Yields on most maturities of U.S. Treasuries moved lower over the week.

Data as of 7/26/24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.8%	14.5%	19.5%	7.3%	12.5%	10.7%
Dow Jones Global ex-U.S.	-1.1	4.5	6.0	-1.7	3.3	1.6
10-year Treasury Note (Yield Only)	4.2	N/A	3.9	1.3	2.1	2.5
Gold (per ounce)	-0.7	14.8	21.4	9.9	10.9	6.2
Bloomberg Commodity Index	-1.6	-2.7	-10.8	-0.2	4.0	-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 CAN INVESTORS FIGHT INFLATION?

Inflation is the steady increase in prices over time. After years of relatively low inflation, the last couple of years have been an important reminder that investors need to consider inflation as they invest for the future. Even at the Fed's target level, prices rise slightly each year. A financial plan and a well-diversified portfolio can help investors beat inflation as they save and invest. See what you know about inflation and investments by taking this brief quiz.

1. Part of the Federal Reserve's mission is keeping prices from rising or falling too fast. What do Fed officials think is the right rate for inflation?
 - a. 0%
 - b. 1%
 - c. 2%
 - d. 3%
2. Inflation erodes spending power, which means that the amount of goods or services that a person on a fixed income can buy gets smaller when inflation is higher. Which of the following can help investors manage the risks associated with inflation?
 - a. Cash under the mattress
 - b. A diversified portfolio
 - c. Certificates of deposit
 - d. Fixed rate loans
3. A "real" rate of return is the annual return that an investment earns minus the annual rate of inflation. If the average annual return for the Standard & Poor's 500 Index was 10 percent over the last ten years, and inflation averaged 3 percent a year over the same period, what was the "real" average annual return over that period?
 - a. 16 percent

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- b. 13 percent
 - c. 10 percent
 - d. 7 percent
4. What is the highest rate of inflation the United States has experienced since 1917 when the Consumer Price Index was introduced?
- a. 20.5 percent in 1917
 - b. 9.5 percent in 1951
 - c. 14.6 percent in 1980
 - d. 8.9 percent in 2022

If you would like to talk about your financial goals and developing a plan to reach them, please get in touch.

Answers: 1) c; 2) b; 3) d; 4) a

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.

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

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