TheDiamondGroup
WEALTH ADVISORS

Weekly Focus – Think About It

"If you make customers unhappy in the physical world, they might each tell 6 friends. If you make customers unhappy on the Internet, they can each tell 6,000 friends."

--Jeff Bezos, CEO

THE MARKETS

HIGHER RATES ARE DOING WHAT THEY'RE SUPPOSED TO DO

Last week, Federal Reserve officials spoke about keeping the federal funds rate higher until it becomes clear that inflation will reach the Fed's two percent target rate.

While people typically don't mind earning more interest on their saving and investment accounts, higher rates are painful for consumers. That pain is why higher rates help lower inflation. They discourage borrowing and cause people to buy fewer goods. Lower demand for goods and services should lead to lower inflation, reported Trina Paul of *CNBC*.

So far, the biggest fly in the inflation-reduction ointment is housing. Diccon Hyatt of *Investopedia* explained:

"In the first two decades of the 21st century, the U.S. built 5.5 million fewer homes than were needed, the National Association of Realtors estimated in a 2021 report…The effects of that housing shortage are rippling through the economy, most obviously in the form of soaring home prices…official inflation rates, which are designed to measure the cost of living, are highly sensitive to any changes in housing costs. Housing costs make up 45% of the Consumer Price Index (CPI), the most widely watched measure of inflation."

May data show consumers are feeling discouraged.

The University of Michigan's Index of Consumer Sentiment dropped 13 percent from April to May. "[The] decline is statistically significant and brings sentiment to its lowest reading in about six months. This month's trend in sentiment is characterized by a broad consensus across consumers, with decreases across age, income, and education groups…They expressed worries that inflation, unemployment, and interest rates may all be moving in an unfavorable direction in the year ahead," stated Surveys of Consumers Director Joanne Hsu.

While consumer sentiment dragged on markets, first quarter corporate earnings reports were stronger than expected, which lifted U.S. stocks. “With well over 80% of the S&P 500 having reported results, companies are on track to have increased earnings by 7.8%, well ahead of the April expectation of 5.1% growth,” reported a source cited by Lewis Krauskopf of *Reuters*.

Declining sentiment caused U.S. stocks to stumble on Friday; however, major indices finished the week higher. Yields on many maturities of U.S. Treasuries moved higher over the week.

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Data as of 5/10/24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.9%	9.5%	26.2%	7.6%	12.6%	10.7%
Dow Jones Global ex-U.S.	1.2	4.5	9.7	-2.2	3.8	1.9
10-year Treasury Note (Yield Only)	4.5	NA	3.4	1.6	2.5	2.7
Gold (per ounce)	3.4	14.2	16.5	8.8	13.0	8.2
Bloomberg Commodity Index	1.4	4.2	0.1	3.3	5.5	-2.7

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.

DATA PRIVACY WILL VARY

For decades, companies have plundered the digital world for valuable treasure – information about you. When it comes to controlling how personal data are used, some people are better protected than others. It often depends on where you live.

For example, in 2016, the European Union (EU) adopted its General Data Protection Regulation (GDPR). The law is built on the idea that individuals have the right to own their personal information and decide who can use it, reported Fredric Bellamy of *Reuters*.

In contrast, federal law in the U.S. allows businesses and organizations to collect personal data without the express consent of the people whose information is being collected. The government may step in to prevent or mitigate harm to the individual in certain sectors.

In addition to choosing the type of data websites may collect, consumers can consult the free buyer’s guide created by a software firm’s foundation. The guide, called **Privacy Not Included*, rates the privacy and security of connected toys, gadgets, and smart products. Among the many groups that have earned a warning label in the buyer’s guide are:

- **Dating apps**. "Most dating apps (80%) may share or sell your personal information for advertising…It's a bit strange because…apps work on a subscription model. So with dating apps, it's not your money or your privacy. It's often both. We also couldn't confirm whether half (52%) of the apps do the bare minimum to keep all your personal information safe, by meeting our Minimum Security Standards," reported Jen Caltrider, Misha Rykov and Zoë MacDonald.

- **Automobile companies**. "Car makers have been bragging about their cars being 'computers on wheels' for years to promote their advanced features. However, the conversation about what driving a computer means for its occupants' privacy hasn't really caught up…[car brands] can collect personal information from how you interact with your car, the connected services you use in your car, the car's app (which provides a gateway to information on your phone), and can gather even more information about you from third party sources." One company sold personal driving data to brokers who used the information to formulate "risk scores". The scores were then sold to insurance companies, causing some drivers' premiums to increase significantly.

Some states have stepped in to provide additional protections for their residents. In March of 2024, there were "…15 states – California, Virginia, Connecticut, Colorado, Utah, Iowa, Indiana, Tennessee, Oregon, Montana, Texas, Delaware, Florida, New Jersey, and New Hampshire – that have comprehensive data privacy laws in place," reported *Bloomberg Law*.

In April, federal lawmakers proposed a law, the American Privacy Rights Act, that could give consumers control over how their information is used by companies that collect it, as well as the right to opt out of certain types of data collection, reported Cristiano Lima-Strong of *The Washington Post*.

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:

* 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.

* 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.

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* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

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