YERBA BUENA
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Weekly Focus – Think About It

"A man who carries a cat by the tail learns something he can learn in no other way."

-- Mark Twain, Author

THE MARKETS

WHAT DO DIETERS HAVE IN COMMON WITH THE FEDERAL RESERVE?

If you've ever dieted, you may be familiar with the weight-loss plateau. Many people experience steady progress. The bathroom scale moves lower week by week – until it doesn't – and that can be discouraging.

The Federal Reserve has been trying to reduce inflation, and it has had significant success. Its actions are credited with bringing headline inflation from a peak of 9.1 percent in June 2022 to 3.2 percent in February 2024, as measured by the Consumer Price Index.

Looking back over the last few months, it seems as though inflation hit a plateau (and, perhaps, indulged in a bit of holiday excess).

September 2023:	3.7 percent
October 2023:	3.2 percent
November 2023:	3.1 percent
December 2023:	3.4 percent
January 2024:	3.1 percent
February 2024:	3.2 percent

However, the Fed is not discouraged.

After inflation data was released last week, Chair Jerome Powell to comment, "The report that came out this morning is pretty much in-line with our expectations. Our hand is a steady hand in this. We've been saying all through last year and this year, we're making progress…The economy is strong. We see very strong growth…That means we that don't need to be in a hurry to cut [rates]. It means we can wait and become more confident that, in fact, inflation is coming down to two percent on a sustainable basis."

United States stock markets were unfazed by the inflation news and delivered a stellar performance for the first quarter. The Standard & Poor's 500 Index experienced 22 record closes during the first three months of the year, reported Teresa Rivas of *Barron's*.

Major U.S. stock indices finished the week higher, and U.S. Treasury yields were mixed.

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Data as of 3-28-24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.4%	10.2%	32.3%	9.8%	13.3%	11.0%
Dow Jones Global ex-U.S.	0.1	3.9	13.1	-0.9	3.6	2.0
10-year Treasury Note (Yield Only)	4.2	NA	3.6	1.7	2.4	2.7
Gold (per ounce)	2.0	6.5	12.8	9.1	11.3	5.5
Bloomberg Commodity Index	0.8	0.9	-4.7	5.8	4.2	-3.0

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.*

3 REASONS TAXPAYERS GET NOTICES FROM THE IRS

Receiving a notice from the Internal Revenue Service (IRS) can be daunting. While some notices are resolved fairly easily, others require an audit.

So, how does the IRS determine who gets a notice? Michelle Singletary of the *Washington Post* reported, "The IRS examines returns to ensure that income, expenses, deductions, and credits are reported accurately. When an inconsistency is found, a taxpayer may undergo an audit or be notified that adjustments were made that could result in a refund or a required tax payment."

Here are three issues that can bring a tax notice to your mailbox:

1. Math mistakes. Taxes are a great example of the importance of math in real life. In 2022, the IRS issued more than 9 million notices because of math errors. The top triggers were calculations related to the Recovery Rebate Credit and the Child Tax Credit. Most notices simply adjusted taxpayers' returns and indicated whether additional amounts were owed, or higher refunds were due.
2. Missing income. Tax returns are supposed to account for all income a tax filer earned over the tax year. Income typically is reported by employers, mortgage companies, banks (or other sources of income) on Forms W-2 and 1099, and other forms. The IRS Automated Underreporter program systematically matches tax returns and informational tax forms. When the information does not match, the tax filer gets a notice.

3. Unusual tax deductions. The IRS uses statistics to determine normal levels for various deductions. If your deductions are higher-than-average, your return may be flagged. Joy Taylor of Kiplinger Personal Finance reported,

“If the deductions, losses, or credits on your return are disproportionately large compared with your income, the IRS may want to take a second look at your return. Taking a big loss from the sale of rental property or other investments can also spike the IRS's curiosity. Ditto for bad debt deductions or worthless stock.”

That doesn’t mean you shouldn’t take a deduction or tax credit, just make sure you have proper documentation.

If you have any questions about taxes, talk with a tax professional. They can help minimize the chance that your tax return will trigger an audit or a notice from the IRS.

Best regards,

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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.

* 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 Weekly Market Commentary please email us at info@ybpf.com

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