



## Weekly Market Commentary May 20, 2024

### The Markets

Reading the economic tea leaves.

Tasseography practitioners read tea leaves to forecast the future. Some economic data serve a similar purpose. Policymakers, central bankers, economists, and investors look at leading economic indicators to forecast where the economy may be headed. Classic leading indicators include:

**Consumer confidence.** Consumer spending is the largest contributor to economic growth in the United States. When consumers feel confident about their finances, the economy may continue to grow, and vice versa.

**The slope of the yield curve.** When yields for short-term U.S. Treasuries are higher than yields for long-term U.S. Treasuries, then a recession may be ahead. “Yield curve inversions have preceded each of the last eight recessions,” reported the Federal Reserve Bank of Cleveland.

**Stock market performance.** Since investors make decisions based on how they believe the earnings of companies and the value of companies’ stocks will change over time, a rising or falling stock market is considered to offer insight to where the economy may be headed.

“The leading indicators for the U.S. economy fell in April for the second month in a row...The leading index declined mainly because of weaker business orders, fewer permits to build new homes and a decline in stock prices last month. Stocks have since rebounded, however, to fresh record highs,” reported Jeffrey Bartash of MarketWatch. “The economy slowed in the first quarter after heady growth in the second half of 2023. It’s unlikely to speed up much until inflation tapers off and the Federal Reserve cuts interest rates.”

Some analysts believe rate cuts are still on the table for 2024, reported Sam Meredith of CNBC. Last week, the Consumer Price Index showed headline inflation (which measures price changes for a fixed basket of goods) and core inflation (which removes food and energy from the basket) both moved lower from March to April.

Investors found a lot to like in the inflation data. U.S. stocks finished the week higher with the Dow Jones Industrial Average closing above 40,000. Yields on most maturities of U.S. Treasuries moved lower over the week, lifting bond prices.

Data as of 5/17/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.5%	11.2%	27.5%	8.4%	13.2%	10.9%
Dow Jones Global ex-U.S. Index	1.7	6.3	12.1	-1.0	4.3	2.0

10-year Treasury Note (yield only)	4.4	N/A	3.6	1.6	2.4	2.5
Gold (per ounce)	1.3	15.6	21.7	9.0	13.4	6.3
Bloomberg Commodity Index	2.9	7.2	4.3	4.3	5.8	-2.4

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; 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; MarketWatch; djindexes.com; U.S. Treasury; 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.

**WHICH STATE LOOKS THE MOST LIKE THE UNITED STATES?** Fifty states joined the Union from 1787 through 1959. Every one of them has a distinct history and culture. States' names originated from Latin, English, Spanish, French, Polynesian, Algonquian, Siouan, Iroquoian, Uto-Aztec, and other languages. In Alabama, there are deep sea fishing rodeos and in Arizona there are sidewalk egg-frying contests. In Georgia, they like salted peanuts in cola, and in Michigan they call soda "pop." Nebraska cheers for the Cornhuskers, while Oregon flies with the Ducks.

There are a lot of differences between U.S. states, but which state is most like the United States? That's the question Lenny Bronner and Andrew Van Dam of *The Washington Post* wanted to answer. Bronner crunched U.S. Census data to create indices that compare U.S. states to one another and to the nation. Some of their findings can be found in this quiz.

- Which state most closely resembles the United States when it comes to income? (Hint: Its state flower is the violet.)
  - Arizona
  - Illinois
  - Georgia
  - Nevada
- Which state is most like the United States when it comes to residents' educational achievement? (Hint: It has the oldest state park in the nation.)
  - Rhode Island
  - West Virginia
  - Georgia
  - Texas
- Which state most closely mirrors the country when it comes to employment? (Hint: Its known for a tasty sandwich.)
  - Pennsylvania
  - Utah
  - Mississippi
  - Ohio
- Bronner constructed a similarity index using 30 variables to predict which states are likely to vote similarly. Which states are the closest match to one another? (Hint: You may have a hard time believing it.)
  - Arkansas – New Mexico
  - California – Texas
  - Florida – Wisconsin
  - New Hampshire – Ohio

Financial plans are a lot like states. They reflect the unique characteristics and needs of individuals and families. If you have any questions about whether you are on track to achieve your financial goals, get in touch.

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

### **Weekly Focus – Think About It**

“A nation’s culture resides in the hearts and in the soul of its people.”

—*Mahatma Gandhi, activist*

Best regards,

Victor



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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.
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- \* Asset allocation does not ensure a profit or protect against a loss.
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Sources:

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