SAM NEWS

3rd Quarter Report
October 2024

Summer Squall

noun: a sudden violent gust of wind or a localized storm

Like a brief summer squall, stocks around the world suffered steep declines in early August, then quickly recovered. On Monday, August 5th, stocks had their worst daily losses since November of 2022. The Japanese Nikkei lost 12.4% in one day- the largest percentage decline since Black Monday in October 1987. This volatility was caused by worries about a softening U.S. economy- specifically a surprisingly weak jobs report, which sparked overblown recession fears. In the weeks following, economic data came in stronger than expected and the Federal Reserve reduced interest rates on September 18th for the first time since March of 2020. Stock prices rapidly returned to all-time highs to close out the quarter. How do we foresee the remainder of the year? Please read our ***SAM Outlook*** *and* ***SAM Strategy*** *sections, on the next page.*

3rd QUARTER 2024 INVESTMENT REPORT

During the 3rd quarter, the economy and stock market remained resilient. The S&P 500 returned 5.9% for the quarter and is now up 22.1% for the year. Interestingly, the S&P 500 had its first September gain in five years and has now had positive returns four quarters in a row. The NASDAQ is up 21.2% so far in 2024- still mostly being led by the "Magnificent 7." The DOW 30 is up 13.9% year-to-date and the Russell 2000 is also up 11.2%. International stocks staged a nice comeback during the quarter and are now up 10.4% so far in 2024. Bonds, as we have been anticipating have been performing great- especially after the 1st Federal Reserve rate cut. The U.S. bond market as represented by the Bloomberg Aggregate Index has a total year-to-date positive total return of 4.4%. With all of the uncertainty around the world, gold prices climbed to nearly $2,700 per ounce- a new all-time high.

INVESTMENT INDICES

All numbers listed below are total returns (including dividends) and are percentage gains or losses.

	3rd Quarter	YTD	2023
Dow 30	8.7%	13.9%	16.2%
S&P 500	5.9%	22.1%	26.3%
Nasdaq Composite	2.6%	21.2%	43.4%
Russell 2000	9.3%	11.2%	16.9%
MSCI EAFE (International Stocks)	6.7%	10.4%	15.0%
Bloomberg Aggregate (Bonds)	5.2%	4.4%	5.5%

*****These are not the rates of return for SAM accounts, but are shown as a historical benchmark for various asset classes. SAM does not guarantee account performance. Accounts may lose value. Information taken from sources believed to be reliable, but its accuracy cannot be guaranteed.*****

We sincerely appreciate your continued trust and confidence. If you know of someone who may benefit from our service, please pass along our contact information. As always, there is no cost for an initial consultation.

TIME FOR TAX PLANNING

It's Less Than 90 Days To Year-End! Time to start thinking about…

Tax planning: Schedule an appointment with your CPA or tax preparer.

IRA and retirement plan contributions: Be sure to fund by the IRS deadlines.

Gifting Appreciated Securities

With stock prices at all time highs, now may be a great time to consider donating appreciated securities from your non-IRA brokerage accounts to charity. There are major advantages in donating appreciated securities instead of cash. When you donate an appreciated security, you don't have to pay capital gains tax on the gain, and generally you get a tax deduction for the full value of the security on the day it is donated. Giving appreciated securities instead of cash can save you hundreds or even thousands of dollars versus a cash gift. Contact our office or see your tax preparer to find out if you should take advantage of this unique way of giving.

RMD's (Required Minimum Distributions) for IRA's:

Charles Schwab will notify clients who have required minimum distribution requirements in 2024 of their Required Minimum Distribution (RMD) from all types of IRA accounts. The RMD must be taken this year in order to avoid severe penalties. If you have any taxable accounts with us, we can arrange to have the RMD amount directly transferred from your IRA to your after tax account - no hassle! We will be reaching out this month, or just call our office at 559-658-5193.

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SAM OUTLOOK

Despite the jitters and sharp declines in late July and early August, stocks rose to new all-time record highs on the closing day of the quarter. The S&P 500 has closed at a record high 43 times so far in 2024 and is up over 20% year-to-date. Stock prices are driven by corporate earnings which are at an all-time high and solid earnings growth is expected to continue into next year. Industry analysts predict the S&P 500 will report year-over-year earnings growth of 11.3% this year, and a whopping 14.4% growth in 2025.

While stocks broadly climbed higher this summer, a sharp-but-quick dip gave bonds a chance to shine. When the S&P 500 fell by a full 7% between July 16th and August 5th, the Bloomberg U.S. Aggregate Bond Index rose by 2%, and long duration Treasuries, as measured by the ICE U.S. Treasury 20+ Years Bond Index, rose by 5.5%. Bonds are now solidly positive for 2024 after starting out the year with negative returns. With the Federal Reserve now in a rate cutting cycle, we anticipate that the total return on bonds (coupon interest plus appreciation) could be higher than average going forward.

As always, we are following the headlines from the U.S. and abroad and are aware of the risks which could cause market volatility. There could be increased volatility around the election (just 34 days away), a potential wider war in the middle east, the continuation of the war in Ukraine, tensions in the South China Sea, a Fed policy mistake, etc. As investors, history tells us that there is always something to worry about but remaining invested is the prudent course of action. The U.S. stock market is positive 75+% of the time and bull markets last much longer than bear markets. During any market shock, or normal correction from all-time highs, we would encourage you to remain calm and think long-term.

SAM STRATEGY

We speak with clients on a daily basis who do not realize or believe that U.S. stocks have reached record highs. We blame a lot of this on the political polarization of our country and the negative news headlines that we are all bombarded with every day. For most clients, your September 31st brokerage statements and our enclosed quarterly reports will reflect the highest values you have ever seen- net of withdrawals, of course. This is a reflection of a resilient economy and textbook investment diversification over time. We try to limit our investment changes and err on the side of buy and hold.

During the quarter, the stock market rally broadened away from the “Magnificent 7” stocks (Apple, Microsoft, Google parent Alphabet, Amazon.com, Nvidia, Meta Platforms and Tesla). While we have plenty of exposure to the “Magnificent 7”, our diversified portfolios will definitely benefit from a broadening of the rally. The reduction of interest rates should benefit our smaller U.S. company holdings and a weaker dollar should benefit our international holdings. While the core of our stock holdings are U.S. companies, we continue to have a decent weighting toward international stocks because we view them as historically undervalued and they also pay a higher dividend yield than U.S. companies. Going forward, international stocks could have a period of out-performance and we want to participate.

As mentioned in previous newsletters, we remain optimistic and somewhat excited about bond returns. We increased our duration in late 2022 when the Federal Reserve was done raising rates. This has resulted in a high yield from these longer duration bonds and we are also beginning to see the value of these bonds increase as the Federal Reserve reduces rates. Remember, interest rates and bond prices move in opposite directions. For clients that are in our Balanced and Conservative strategies, this should improve rates of return over time and bonds will return to being a solid ballast in portfolios. We remain optimistic that we will have a “soft landing” and that our economy will avoid recession completely.

Interesting Facts

According to the *Stock Trader's Almanac*, fourth quarter market gains have been the largest and most consistent over the years. Gains for the S&P 500 have averaged 4.2% during the fourth quarter since 1949 - much better than the first quarter (2.1%), the second quarter (1.8%), and the third quarter (0.8%). Why has the fourth quarter been so strong over the years? The *Almanac* cites the approaching holiday season, which creates positive market psychology. In addition, investing professionals drive the market higher as they make portfolio adjustments to boost their year-end performance numbers.

The 30-Year Fixed-Rate Mortgage Reaches Lowest Level in Two Years - The average rate on a new 30-year fixed-rate mortgage has declined from 7.9% last October to 6.08% last week.

Nvidia shares dropped 9.5% on 9/3, erasing $278.9 billion from the company's value — the biggest such single-day loss ever for a U.S. stock.

Upcoming Stock Market & SAM Office Closures

Thanksgiving Day, November 28rd
SAM Closed Friday, November 29th
Christmas, December 25th
New Year’s, January 1st

"I've had a lot of worries in my life, most of which never happened."
— Mark Twain