Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100
https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®
Corrina Olson, CFP®
Javier Jimenez, CFP®

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Your Copperwynd Financial Newsletter: March 2024

Market Commentary

Financial Markets

Recession Called Off

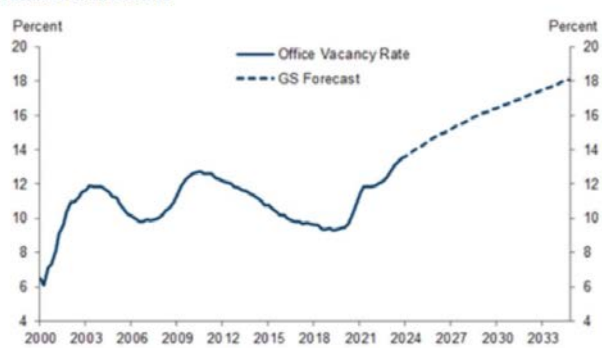
We start with some great news! The Conference Board, the creator of the "Leading Economic Index", officially canceled their recession call. They had previously been predicting recession for every quarter of last year and for the 1st half of '24. They have finally thrown in the towel, as their index is showing improvements, led by the surging stock market. A bull market just makes everything better.

To be fair, most economists had been predicting a recession since 2022, and one thing we do know – when almost all forecasters (or the market) all agree on something, you can count on that forcing a different outcome.

Currently, we expect a mixed and somewhat slowing growth rate in the US this year, with Q1 '24 in the low 2% range, driven by a more accommodative Fed but lacking any new surges of big stimulus spending from DC. However, DC recently avoided a partial shutdown by extending funding deadlines later into March.

One area particularly struggling is commercial real estate. The painful adjustment from not as many workers clocking into traditional offices creates buildings that have big vacancy rates (see chart). These owners then struggle with paying the debt on the buildings.

Exhibit 1: The Office Vacancy Rate Is at Its Highest Level Since 2000 and Is Likely to Rise Further if the Shift to Remote Work Persists

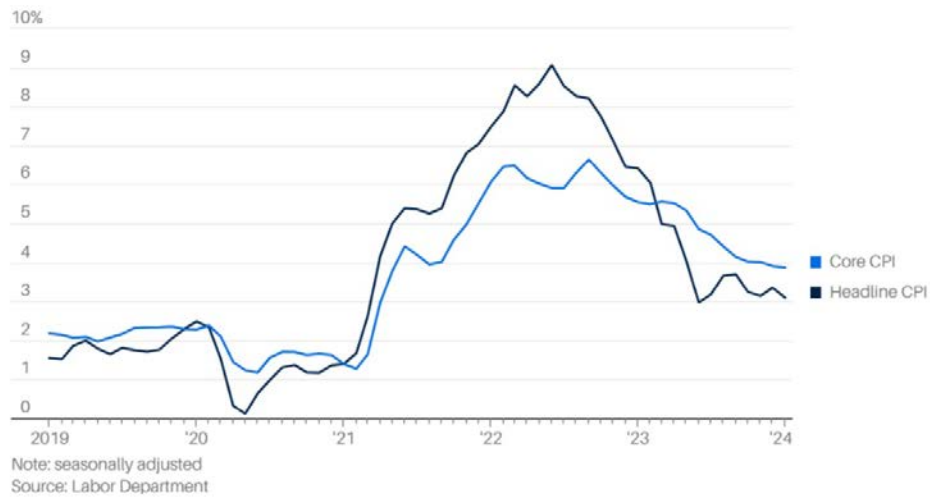


Source: *Goldman Sachs*

Globally, recession is still playing out. Both Japan and the UK revealed in late February that they had retreated into “technical recessions” (two consecutive quarters of year-over-year GDP contraction). Key Asian countries like China are doing strong interventions to try to avoid recessions. US growth outperformance is helped by lower energy prices increases compared to Europe and elsewhere (Ukraine/Russia sanctions).

Inflation Slowing with Bumps

Real life data does not follow a plan and is messy; January’s CPI at 3.1% and the Core CPI at 3.9% (excluding food & energy) came in hotter than expected, causing momentary market unease, and impacting Fed rate cut predictions. Although inflation has remained stickier than hoped for, when we take a step back and look at the graph, we believe the overall inflation trajectory remains favorable.



Source: *Barons*

Fed Rates

While the Federal Reserve is perceived to have concluded its rate-hiking strategy, the market expectations for rate cuts have been delayed. Initially, the market anticipated the first rate cut in March, with a forecast of 7 cuts by year-end. However, due to persistent inflation, the market has pushed back the expectation for the initial rate cut to June. The current market outlook, as depicted in the chart, predicts year-end rates around 4.5%, indicating a reduced expectation of 4 rate cuts for the year. This adjustment has likely been influenced by recent economic data and a strong stock market, but the good news is that is now more aligned with what the Fed has been communicating.

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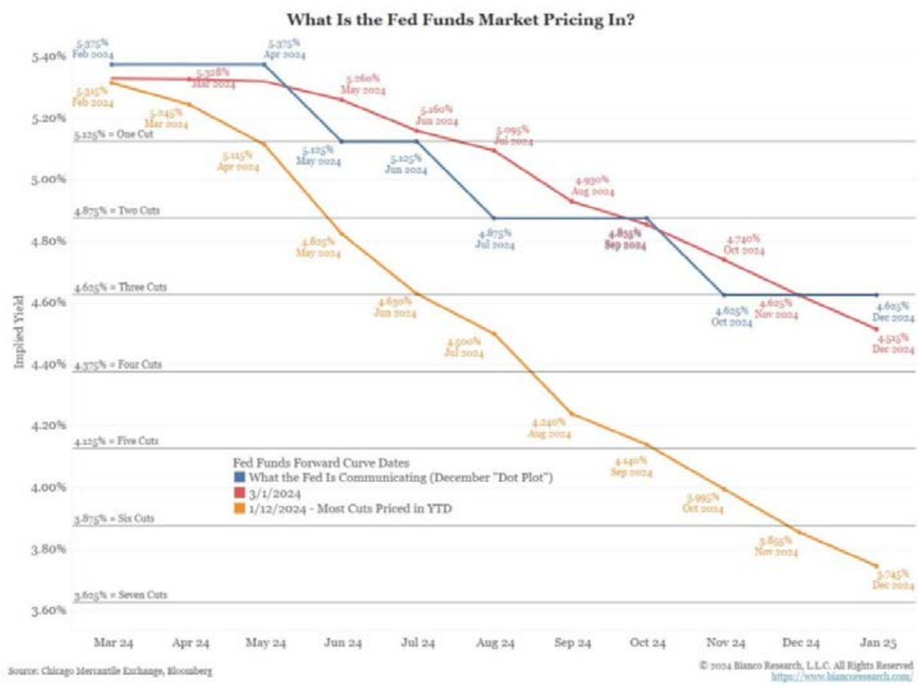

Source: *Chicago Mercantile Exchange, Bloomberg*

Market Performance

Is there a market, or is there just Nvidia overshadowing everyone else? Following another outstanding quarter, Nvidia achieved the largest single-day market cap gain ever, soaring by +$277 billion, pushing its total market value to approximately $2 trillion. This places it among the top 10 annual country GDPs, rivaling Canada. Nvidia's rise is much more grounded in remarkable sales and profit growth, setting it apart from historical comparisons such as the dot-come bubble.

Is it overpriced? It depends on future innovation and competitive breakthroughs, but it is priced at 32 times sales, so diversification continues to be a prudent approach.

Throughout February, the broad indices displayed resilience, and recent weeks have revealed indications of expanding strength beyond the dominant few, extending into mid/small caps and international sectors, which is an encouraging development. Despite a slight upward movement in rates during February, leading to a decline in the Aggregate Bond Index for the month, the positive interplay of higher yields and narrower credit spreads allowed junk bonds to attain a modestly positive performance.

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Equities	February	2024 YTD
S&P 500	5.22%	6.89%
Dow Jones	2.41%	3.69%
Nasdaq 100	5.28%	7.20%
Mid Cap	5.86%	4.02%
Small Cap	5.63%	1.50%
International Developed	2.99%	2.52%
Emerging Markets	3.48%	-0.19%

Fixed Income	February	2024 YTD
Bloomberg Aggregate Bond Index	-1.48%	-1.62%
High Yield Corporates	0.30%	0.44%

Source: *YCharts, 1/31/2024 - 2/29/2024, Total Return Data using SPY, DIA, IJH, IWM, QQQ, EFA, VWO, AGG, and JNK. 2024 returns as of 12/31/2023.*

Looking Ahead in 2024

After such a historic run, naturally, the narrative has quickly shifted to wondering if NVDA (and tech stocks in general) are overvalued. The ongoing debate on a potential bubble hinge on these companies' ability to continuously meet the soaring earnings expectations. It's clear that relying on a handful of companies for market results increases the likelihood of significant market swings, both upward and downward, translating into heightened volatility. In navigating the coming months, maintaining diversification, and adopting a strategic approach may prove advantageous.

Currently, our Total Return Bond Strategy remains in a "Risk-On" position, still fully allocated. While US High Yield has entered a somewhat rangebound state in recent weeks, we continue to favor senior loan/floating rate positions, which are less interest rate sensitive and have more attractive yields. Managing interest rate risk remains crucial in our view. Despite the prevailing sentiment suggesting potential rate cuts in 2024, the Federal Reserve remains data dependent. Any unexpected data, especially related to employment and inflation, could trigger sudden shifts in interest-rate-sensitive bonds.

As always, if you are concerned about your risk level, please reach out to us, and schedule a time to review your allocation and financial plan.

Upcoming Events:

Client Appreciation Spring Training Games –
We have fully booked out our upcoming client appreciation events. As a reminder for those who signed up, you'll be getting an email with all the details soon.

- Saturday, March 9th at 1:05pm – Chicago Cubs vs Colorado Rockies, Sloan Fields, Mesa AZ
- Thursday, March 14th at 1:10pm – Arizona Diamondbacks vs. Kansas City Royals, Salt River Fields, Scottsdale, AZ

Look forward to seeing you there!

If you have any questions, please do not hesitate to contact our office at 480-348-2100.

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FAFSA FORM CHANGES - 2024-2025 SCHOOL YEAR

By Myra Alport

Late 2020, Congress approved changes to the Free Application for Federal Student Aid known as FAFSA; those changes are now in effect for the 2024-2025 school year.

What are those changes? The 2024–25 FAFSA form expands eligibility for federal student aid, including Pell Grants, and provides a streamlined user experience. Applicants will be able to skip as many as 26 questions, depending on their individual circumstances. Some applicants could answer as few as 18 questions, which could take less than 10 minutes!

There have been multiple hiccups along the way causing delays. In years past, October 1 was the annual start date to apply for financial aid. However, for the 2024-2025 school year, the release date was pushed back to late December 2023. To further complicate things, weeks after the launch the U.S. Dept of Education discovered a math error that caused further setbacks. As a result, financial aid offers to students are still pending and college administrators don't expect to receive the FAFSA data until mid-March.

This puts the pinch on everyone involved: students who need to make changes to their already submitted FAFSA forms, students facing a May 1 deadline who apply by non-binding Early Action and Early Decision pathways, and the college and university departments that must process the data to offer financial aid packages.

What is the best course of action for anxious parents in this situation? Contact the financial aid office at the colleges your student has applied to for any updates if time is of the essence. June 30th is the deadline to complete the FAFSA application. Visit https://studentaid.gov/h/apply-for-aid/fafsa

The good news is that the Department of Education has said that it plans to revert to an October 1 start date for the 2025-2026 school year. Fingers crossed!

For more information on the changes to the FAFSA, some resources are listed below. Please let us know how we can help.

https://www.nerdwallet.com/article/loans/student-loans/fafsa-simplification-8-changes-to-expect https://studentaid.gov/articles/fafsa-changes-coming/

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401(k) Allocation

No trades.

As always, if you have any questions about how to rebalance your 401K, we encourage you to reach out to us!

March 2024

Asset Class	Description	Agg. Growth 100% Equity	Growth	Moderate Growth	Balanced	Conservative
Bonds / Cash		**0%**	**25%**	**40%**	**55%**	**75%**
	Stable Asset - OR - Short Term Bond	*0%*	*0%*	*10%*	*15%*	*20%*
	Bond Index	*0%*	*5%*	*10%*	*20%*	*30%*
	*Floating Rate Loans***	*0%*	*10%*	*10%*	*10%*	*15%*
	*High Yield Bonds***	*0%*	*10%*	*10%*	*10%*	*10%*
	Inflation Protected Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
Large Cap:		**70%**	**55%**	**45%**	**35%**	**15%**
	Large Cap Growth	*40%*	*30%*	*25%*	*20%*	*10%*
	Large Cap Value	*30%*	*25%*	*20%*	*15%*	*5%*
Mid Cap:		**25%**	**15%**	**10%**	**10%**	**10%**
	Mid Cap Growth	*15%*	*10%*	*5%*	*5%*	*5%*
	Mid Cap Value	*10%*	*5%*	*5%*	*5%*	*5%*
Small Cap:		**5%**	**5%**	**5%**	**0%**	**0%**
	Small Cap Growth	*2%*	*2%*	*2%*	*0%*	*0%*
	Small Cap Value	*3%*	*3%*	*3%*	*0%*	*0%*
International:		**0%**	**0%**	**0%**	**0%**	**0%**
	Developed International	*0%*	*0%*	*0%*	*0%*	*0%*
	Emerging Markets	*0%*	*0%*	*0%*	*0%*	*0%*
		100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**

** If High Yield Bonds or Floating Rate Loans are not an option in your 401k, you can allocate that portion to either your Bond Index or Short Term bond fund

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