Your Copperwynd Financial Newsletter: December 2023

Market Commentary

December

By Corrina Olson

Is Santa Claus coming to town or will the December chill set in? We are coming off a historic November. We saw great gains in the S&P 500, Nasdaq, and Dow as they notched their best monthly advance this year and one of their best Novembers on record. So, we are asking ourselves, will this momentum extend into what has become known as the "Santa Claus" rally this December?

There are several reasons why December has historically been a strong month for stocks and has become known for the so-called "Santa Claus" rally. Quite simply, the holiday season is the biggest shopping month of the year, and that fuels more consumer spending, which helps a lot of businesses. It also leads to higher employment levels, as retailers are expected to hire between 345,000 and 450,000 seasonal workers over the holidays. The increased hiring, along with seasonal bonuses, puts more money in consumers' pockets.

Coming out of the 3rd quarter, the U.S. economy grew faster than initially thought. GDP was revised upward to 5.2% from the initial estimate of 4.9%. This increase in GDP is in large part due to Americans spending and making more. However, going into the 4th quarter, we have started to see consumer spending cool. It rose a moderate 0.2% in October after a 0.7% gain in September. We won't know the November data until later this month. The labor market has gradually been easing as well. More Americans applied for unemployment benefits last week and the number on continuing claims surged to a two-year high in mid-November. With fears of a recession still on the horizon in 2024, we will see if the typically higher seasonal spending and hiring are lower than anticipated, leading to more of a December chill than "Santa Claus" rally.

Market Performance

With speculation that the Federal Reserve will soon put an end to its aggressive hiking campaign, we had one of the biggest November rallies on record. The S&P 500 ended the month near its all-time high after climbing 9.13% in November—the biggest monthly gain since July 2022. The Nasdaq gained nearly 11% in November—its strongest month since last year—as Big Tech dominated again. Looking at bonds, the 10-year treasury rate dropped from nearly 5% to 4.3%, representing its biggest net monthly decline since December 2008. The U.S. Aggregate bond index rose 4.5% in November for its biggest monthly gain in over 35 years.

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Given the current market trends, our stock and bond models have moved back to being fully invested. For stocks, we continue to favor U.S. large companies with a slight bent towards growth. For bonds, we have allocated back into high yield bonds while also maintaining our exposure to floating rate bank loans, attracted by their favorable yields.

Equities	November	YTD 2023
S&P 500	9.13%	20.68%
Dow Jones	9.15%	10.58%
Nasdaq	10.82%	46.66%
Mid Cap	8.50%	7.09%
Small Cap	9.20%	4.20%
International Developed	8.22%	12.37%
Emerging Markets	7.09%	5.74%

Fixed Income	November	YTD 2023
Bloomberg Aggregate Bond Index	4.59%	1.89%
High Yield Corporates	4.81%	8.77%

***Source:** YCharts, 10/31/2023 - 11/30/2023, Total Return Data using SPY, DIA, IJH, IWM, QQQ, EFA, VWO, AGG, and JNK. YTD returns as of 11/30/2023.*

Looking Ahead

In recent months, the Fed has paused rate hikes over its last two meetings as inflation continues to tick down. The bet now is that the Federal Reserve is done hiking rates and will start cutting by mid-2024. Historically, the end of the central bank's tightening cycles has delivered high returns for stocks. However, Chairman Powell started off December with a fireside chat in which he cautioned that it is still too premature to conclude that monetary policy was sufficiently restrictive. The Fed is prepared to tighten policy further if needed. Inflation figures will be on December 12th and the Fed's next rate decision the following day.

We will see if the Fed can pull off the delicate balancing act of slowing the economy just enough through high interest rates to get inflation under control, without snuffing out its growth completely. More economists are starting to believe that the economy could avoid a recession next year and that we continue to see inflation slow. There is still a lot of uncertainty on when the Fed will cut rates, if we will go into a recession, and how the market will react.
We are constantly monitoring your investments and making the necessary adjustments to navigate the ever-changing economic and market environment. 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.

We wish everyone a joyous holiday season and are so thankful to work with wonderful people like you!

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Upcoming Events:

Women's Event:

It's the most wonderful time of the year! To celebrate, we are hosting a Women's Holiday Luncheon and Book Exchange. Please join us on Monday, December 11, 2023, from 11:30am – 1:30pm, at Olive & Ivy in Scottsdale, AZ. If you would like to participate in the book exchange, please wrap and bring your favorite book that you've read in the last year!

Please send your RSVP to kcostlow@copperwyndfinancial.com with the names of those attending. We look forward to having you join us!

Copperwynd Financial: Commitment to Giving Back

At Copperwynd Financial, we believe in the power of community and the importance of giving back. That's why we're proud to announce that on behalf of our dedicated team and valued clients, we've made charitable contributions to a group of organizations that are making a significant impact in the lives of many.

Our contributions have supported the following causes:

- St. Mary's Food Bank: Leading the fight against hunger, St. Mary's Food Bank provides nourishment to families and individuals in need, ensuring that no one must go to bed hungry.
- Huntsman Cancer Institute: At the forefront of cancer research and patient care, the Huntsman Cancer Institute is dedicated to discovering better treatments and ultimately, cures for cancer.
- Saint Jude: Saint Jude's mission is clear - to advance cures, and means of prevention, for pediatric catastrophic diseases through research and treatment, ensuring that no child is denied treatment based on race, religion, or a family's ability to pay.
- Heifer International: Committed to ending hunger and poverty while caring for the Earth, Heifer International empowers families through sustainable, agricultural support, helping them build secure livelihoods that provide lasting change.

We are honored to support these organizations and their invaluable work. These contributions are just a part of our ongoing commitment to social responsibility and philanthropy.
Together, with our clients, we are making a difference.

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

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Year-End Financial Planning Tips

1. Max Out Your Retirement Plans
- To reduce your earned income, make sure you've maximized your contributions. In 2023, the maximum 401k employee contribution is $22,500 ($30,000 if your over age 50).
- Self-employed individuals have even more options—with a SEP IRA or Solo 401k, you can contribute up to $66,000 or 25% of your eligible income.

2. Analyze Roth IRA Conversion Scenarios
- If you are in a lower tax bracket than when you contributed to the IRA, consider converting just enough before jumping into the next tax bracket.

3. Complete Your Required Minimum Distributions
- Don't forget! Must be done before December 31st. If you fail to take your RMD, for tax years 2023 onward, you may be subject to a 25% penalty for any amount not withdrawn. That said, if you correct the issue by taking the RMD, that penalty may be reduced to 10%.
- Consider a Qualified Charitable Distribution (QCD) to keep income below certain thresholds. (Taxability of Social Security, Increased Medicare premiums, etc.)

4. Tax Loss Harvesting
- Capture your losses to offset capital gains or realize loss carryforwards for future gains.
- We also advise you to speak to your CPA regarding tax loss strategies and how they will impact your individual tax situation as this tip does not apply to all tax situations.

5. Charitable Donations
- Donate appreciated securities. By donating appreciated securities to a qualified charity, capital gains taxes are avoided, increasing the value of your gift.
- Charitable lumping – If you are close to the standard deduction, consider lumping two years of charitable contributions together to be able to itemize deductions and maximize tax savings.

6. Max Out your HSA Contribution
- If you are eligible to make HSA contributions, consider maxing it out this year. The contribution limits are $3,850 for self-only and $7,750 for families. Those 55 and older can contribute an additional $1,000 as a catch-up contribution.

7. Contribute to your 529 Plans
- For Utah 529s, a taxpayer who is an account owner may take a Utah state income tax credit on contributions up to certain limits if the beneficiary was younger than age 19 when established as the beneficiary on the account.
- Arizona offers a tax deduction each year for investing in the AZ 529 Plan or any state's 529 plan of up to $4,000 per beneficiary for married tax filers who file a joint return and up to $2,000 per beneficiary for individual tax filers.

All or some of these tips may apply to you! Before implementing any of these year-end strategies, we would like to meet with you to review the pros and cons to make sure it makes sense for your individual situation. If you haven't already, reach out to your financial advisor to touch base before year-end. If you have questions, please contact us.

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401(k) Allocation

By: Jake Eggett

There are trades.

After a challenging three-month period, stocks and bonds have posted their best month of the year in November. Market optimism is driven by expectations that the Federal Reserve will halt rates, contributing to a smoother economic trajectory. Since July, the market has seen a notable reversal: the 10-year treasury rate dropped from nearly 5% to 4.3%, inflation is trending downward to 3.2%, and the economy is showing resilience amidst slower growth.

Given the current market trends, our stock and bond models have moved back to being fully invested. For stocks, we continue to favor U.S. large companies with a slight bent towards growth. For bonds, we have allocated back into high yield bonds while also maintaining our exposure to floating rate bank loans, attracted by their favorable yields.

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

December 2023

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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