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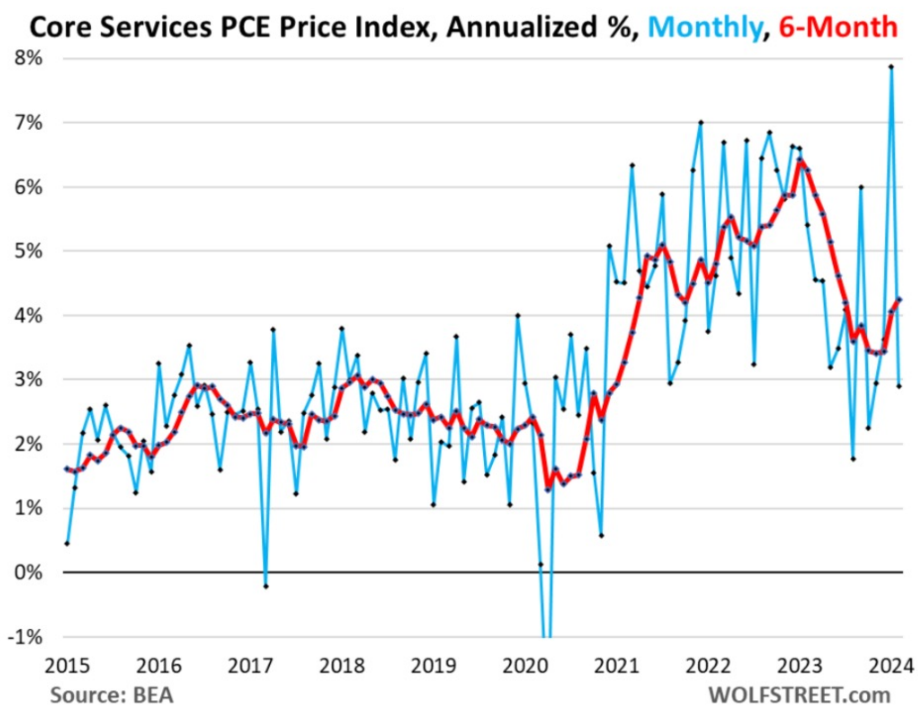
Your Copperwynd Financial Newsletter: April 2024

Market Commentary

Financial Markets

Inflation – Beneath the Headline

All the news sites reported that the core personal-consumption expenditures (PCE) price index, (the Fed focuses on this), came in at expectations +2.5% Feb vs year ago. However, when watching government economic releases, the learning is in the direction of the revisions. The core PCE was revised up for January to an annualized month-to-month growth rate of 5.6% (up from 5.1%), and the index for core services to an annualized rate of 7.9% (up from the original 7.1%). Inflation is now solidly entrenched in core services, as shown in chart below.
on the buildings.



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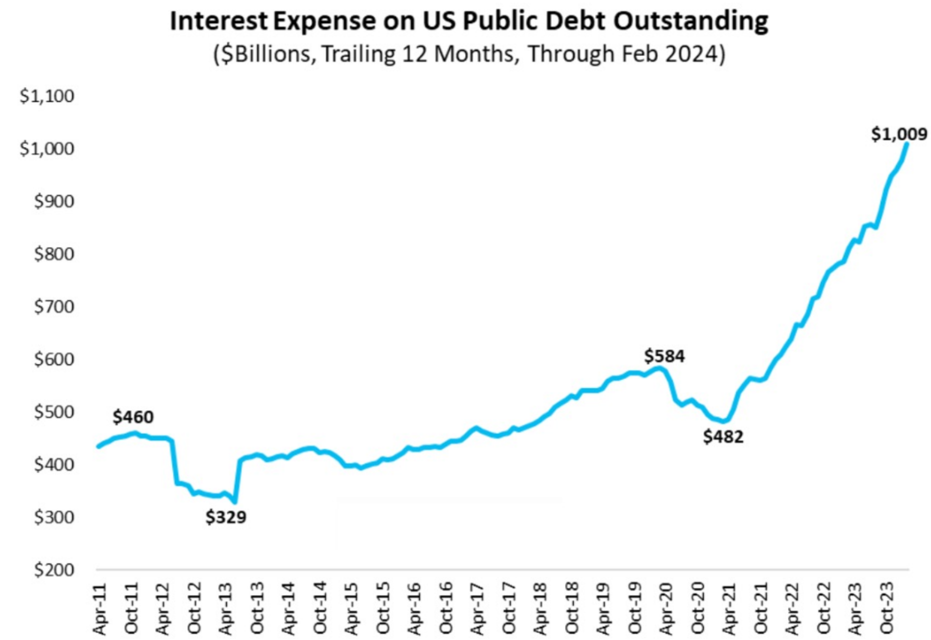
Fed Boxed-In

Inflation is still too high to justify rates cuts anytime soon and the government is getting crushed by the interest on debt that is now over a Trillion and rapidly rising (see chart). It may hit $1.6 trillion rate annual by years end.



Interest on the debt causes enormous pressure on the Fed to cut interest rates, despite whatever the inflation data says. There is even talk of the Fed raising its 2% inflation target!

Good news is the US economy continues to grow at a solid pace (4th Quarter GDP revised higher), driven by consumers' spending "till they drop" and surging corporate profits. Traditionally a strong economy would never support rate cuts, yet Fed positioning and the markets expectations align to about 3 rate cuts in 2024.

Global Rates

With wage inflation surging, the Bank of Japan hiked rates for the first time since 2007, ending their negative interest rate era. In 202, 21 countries had negative rates. Japan was the last to abandon this strange path.[1] Most central banks, to boost economic growth, are set to embark on synchronized rate cuts.

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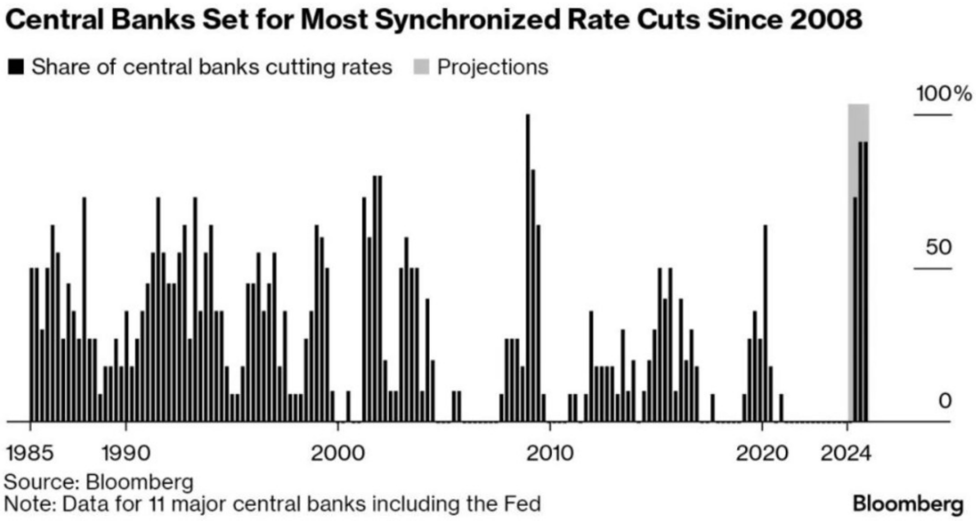

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Financial Markets

Equities	March	2024 YTD
S&P 500	2.31%	10.39%
Dow Jones	1.89%	6.02%
Nasdaq 100	-0.23%	8.56%
Mid Cap	3.59%	8.47%
Small Cap	2.40%	5.04%
International Developed	2.38%	5.99%
Emerging Markets	0.57%	1.72%

Fixed Income	March	2024 YTD
Bloomberg Aggregate Bond Index	0.42%	-0.74%
High Yield Corporates	0.84%	1.63%

Source: *YCharts, 3/01/2024 – 3/31/2024, Total Return Data using SPY, DIA, IJH, IWM, QQQ, EFA, VWO, AGG, and JNK. 2024 returns as of 12/31/2023-3/31/2024.*

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Risk assets surged in the first quarter pushing the SP500 up ~+10%. This +10% far exceeded all forecasts, with the average strategist forecasting a gain of <2%. It now exceeds every year-end forecast but one. How did we get here? It started last fall, with the market's pivot due to expectations of Fed Rate cuts (and certainly no more rate increases), see chart.

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Once the trend was firmly established, the animal spirits of a bull market have continued on their own momentum, even as rate cut expectations dropped. Year to date equities, oil, gold, bitcoin are all surging higher; interestingly, these are the assets you would expect to outperform if the market expected longer term inflation! This is a sustained bull market with all the classic signs of surging sentiment, high earning expectations, high valuations, and subdued volatility. Fundamentals are supportive, with a solid economy, rising corporate profits and a Fed that wants to talk the market up.

Our systematic modeling and research have us staying invested. In March, the stellar meg-cap tech growth broadened out in a healthy market rotation into small caps and equal weight S&P500. Although we continue to overweight towards large-cap, we are diversified with mid- and small-cap in our Core Equity strategy. On the bonds, high yielding income sectors also saw growth rotation to new areas like Real Estate. Our Total Return Bond Strategy remains in a “Risk-On” position, still fully allocated. We continue to favor senior loan/floating rate positions, which are less interest rate sensitive and have more attractive yields.

We do anticipate volatility and bumps along the path in the coming months, and we will quickly adjust if our models’ signals change. In the meantime, it is full steam ahead! 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.

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Financial Spring Cleaning

By Myra Alport

With the 2023 tax season in the rearview mirror for most of us, perhaps it's time to do some financial spring cleaning. Spring may be the ideal time to spruce up your finances with these tips.

Revisit 2024 Goals

What's on deck going forward? Vacation? Retirement? Home purchase? Relocation? Care needs for family member? Whatever it is, revisit your plans for the rest of the year to make sure you are well-informed and on track. A favorite saying of mine is "we don't know what we don't know" so be sure to extend your thinking cap beyond what is most familiar. Identify any potential obstacles standing in the way and let us know how we may assist.

Prioritize Your Emergency Fund

If you don't have a healthy emergency fund in place, now is the time to build it up. Emergency funds are designed to offer additional security in the event of financial emergencies that may develop during periods of uncertainty. Even if you have an emergency fund in place, you may consider building up your finances to give yourself extra padding to withstand unforeseen events. It is common for consumers to increase their cash reserves when they're anticipating economic recessions, losses of income, or other disruptions to their financial plans. Saving for the sake of saving is a great habit. It feels good and helps us sleep better at night.

Polish Up Your Credit Score

One of the frustrations of taking out credit is that, when your score is in great shape, you probably aren't as dependent on credit to finance certain purchases. But when your financial circumstances change and you need to take out credit to bridge financial gaps, your credit score can drop, making it tougher to qualify for this credit. Take preventative action by getting your credit score in great shape before you need it. Pay bills on time, reduce your credit card balances, and check your credit report for errors. If you end up needing credit in the future, you'll start from a stronger position.

Address High-Interest Debt

Even if you pay off your credit cards in full each month, take note of the current interest rate on a recent credit card statement. You'll see that it has crept up beyond 20%! Each time the Federal Reserve raises interest rates, so goes the Annual Percentage Rate (APR) on your credit card. Focus on paying off the card with the highest interest rate first without neglecting minimum payments on your other cards.

Cancel Unnecessary Subscriptions

If your monthly bills are on auto-pilot, they're easy to forget about. Check in on your monthly recurring subscription services to make sure you are still using them. Canceling subscriptions is a relatively simple process by logging in to the company website.

Shop Around for Better Savings Rate

Most of us like to stick to the same bank account for the many services offered. However, in the case of savings accounts, these banks offer paltry interest rates of less than 0.50% APY. Currently, some of the best savings' accounts are paying rates of nearly 5% APY. Please speak with your advisor so we can help you compare rates and consider switching to one that will pay more with no fees or minimum balances.

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Contact Us
If uncertainty has thrown your financial plans into disarray, don't wait until your finances unravel to seek out help. Give us a call at the office and we can review your current outlook and recommend adjustments to your financial planning with the ultimate goal of curbing—or even avoiding altogether—the financial problems you're worried about.

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!

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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