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Your Copperwynd Financial Newsletter: May 2024

Market Commentary

Summer Reflections

As we embark on the beginning of summer (Those in Utah might remind me that it snowed yesterday), I'd like to reflect on the cherished memories of our family's summer retreats to Lake Powell. This place boasts some of the most breathtaking scenery on the planet, with picture-perfect landscapes of red rock and massive cliffs towering above the water. During summer days, you'll find endless opportunities for adventure, from water skiing, exploring slot canyons, cliff jumping to fishing, or simply basking in the water. And as the sun sets, prepare to be mesmerized by the unparalleled views of the Milky Way.

If you've ever boated on Lake Powell before, you're aware that the weather can change abruptly. One moment, you have peaceful sunny skies, calm glassy waters, and smooth sailing. Then in an instant, dark clouds loom overhead, unleashing fierce winds, sandstorms, torrential rain, and flash floods, causing chaos for all on the lake. The sudden shifts in weather at Lake Powell are reminiscent of the recent twists and turns in the financial markets.

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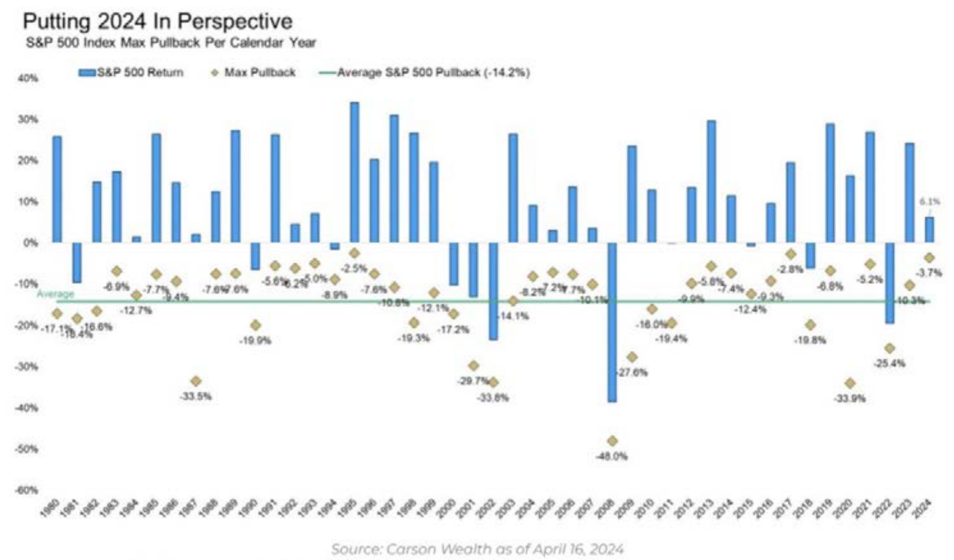
After a remarkable streak of tranquility, the month of April has been a lesson in how quickly markets can shift. With over 100 days without a 2% correction day for the S&P 500 – a streak that has only occurred seven times since 1953 – during the month of April, the S&P 500 suffered a drawdown of 5.9% from its closing high, marking the first 5%+ pullback in 5 months. The recent move down has primarily been a byproduct of re-emerging inflationary concerns and escalating geopolitical uncertainty, but it may also just be a healthy breather for a market that has been running hard. In reality, the last five months of smooth sailing have been a bit of an anomaly.

Despite recent market fluctuations, it's worth noting that the largest downward movements this year have all been under 2%, hardly significant by historical standards. In fact, over the past 44 years, the S&P 500 has experienced corrections of 10% or more in 23 of those years. Encouragingly, in 13 of those 23 years, the market finished higher, up 17.5% on average. (chart below)



Source: Carson Wealth as of April 16, 2024

Smooth Sailing Interrupted by Familiar Headwinds

This historical perspective suggests that while volatility may unsettle markets, it doesn't necessarily dictate their ultimate trajectory. Of course, that is not to say the market is not faced with genuine concerns. While the market has tended to shrug off the geopolitical risks, sticky (or even rising) inflation can present real challenges for future gains. Last week, the Federal Reserve maintained the Fed Funds rate at 5.25% - 5.50% as expected. Fed Chairman Powell acknowledged that inflation could be a concern again and that rates may need to remain higher for longer (again). Given continued economic strength, it's difficult to envision the Fed feeling a tremendous need to cut rates anytime soon, and bond markets seem to agree. The 10-year treasury yield has been rising of late, reaching its highest level since November 2023. This appears to be a reflection of the "higher for longer" narrative taking hold again after markets euphorically priced in more than 6 rate cuts for 2024 as we entered the new year.

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Without the tailwind of expected rate cuts, valuations are extended (S&P 500 is trading at a 20.5x forward P/E ratio), so the US stock market doesn't have much margin for error. This means that negative news events could cause a quick de-risking, something we've seen over the past several weeks. As we delve into this stage of the Q1 earnings season, 80% of companies have reported and continue to perform well compared to expectations. For Q1 2024, the earnings growth rate for the S&P 500 is currently at 5.0%. If this ends up being the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate by the index since Q2 2022.

If earnings and forward guidance can surpass expectations, concerns over "higher for longer" may get pushed down the line in terms of investors' worries. However, if earnings disappoint or economic data slows further, weakness in equity markets seems likely as AI speculation may have carried the market as far as it can go. Remaining nimble is always important for investors, and a tactical approach may provide necessary flexibility in the weeks and months to come.

Market Performance

In April, most major asset classes experienced a pullback, with one notable exception: Emerging Markets, which stood out – a rarity in recent times. Despite this, year-to-date results have continued to favor U.S. Large Cap and Growth-oriented asset classes. Could this short-term divergence between US and International markets signal a shift in trends? Only time will tell, but it's certainly a development we're closely monitoring.

The rise in longer-term rates has had a notable negative impact on bond asset classes, resulting in a decline in prices. Year-to-date, the Aggregate Bond Index is down over 3%, echoing themes reminiscent of 2022. While High Yield bonds fared slightly better, the change in trend prompted us to exit our High Yield Bond position.

Equities	April	2024 YTD
S&P 500	-4.03%	5.94%
Dow Jones	-4.89%	0.84%
Nasdaq 100	-4.37%	3.82%
Mid Cap	-5.94%	3.34%
Small Cap	-6.85%	-2.15%
International Developed	-3.24%	2.55%
Emerging Markets	0.96%	2.70%

Fixed Income	April	2024 YTD
Bloomberg Aggregate Bond Index	-2.48%	-3.20%
High Yield Corporates	-1.33%	0.27%

***Source:** YCharts, 3/31/2024 – 4/30/2024, Total Return Data using SPY, DIA, IJH, IWM, QQQ, EFA, VWO, AGG, and JNK. 2024 returns as of 12/31/2023.*

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Current Positioning

Our equity models have recently signaled a need for caution, prompting us to make minor adjustments away from equities. However, the bulk of our intermediate and longer-term indicators advise staying invested in equities. While our primary focus remains on U.S. Large Cap with a growth bias, we're closely monitoring favorable international trends for potential opportunities. Turning to our Total Return Bond Strategy, we've sold out of High Yield bonds and Preferred Stocks as higher rates caused a change in trend. We opted to add a treasury position and bolstered our exposure to Floating Rate Bank Loans, favoring their lower interest rate sensitivity and appealing yields. Managing interest rate risk remains crucial in our view. The prevailing sentiment in the market has suggested that the Fed may only cut 1-2 times in 2024, initially anticipating June to be the first rate cut and now that has shifted to potentially September and possibly November. The Federal Reserve will remain data dependent and inflation and the labor market data will likely be the main driver. In navigating the coming months, maintaining diversification, and adopting a strategic approach may prove advantageous.

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:

Q2 2024 Economic and Market Update
Wednesday, May 15th – Noon PT/1pm MT

Copperwynd Financial is hosting a virtual discussion for our clients to provide insight into the current economic environment and investment trends. The discussion should last 30 minutes with time remaining for additional questions and answers. Please register at the link provided below.
https://us02web.zoom.us/webinar/register/WN_v6g1uxemRBqw0Jioh6fMRg

Copperwynd Team Update:

Congratulations to Aaron!
We're thrilled to announce that our newest team member recently graduated from the Financial Planning program at Utah Valley University, officially earning his stripes on May 2nd. Having successfully passed the rigorous CFP exam, he is excited to use the designation once he has enough experience hours. We wanted to acknowledge his hard work and dedication, as evidenced by his graduation from one of the country's top financial planning programs. Since joining us, he's already made significant contributions, affirming his value to our organization.

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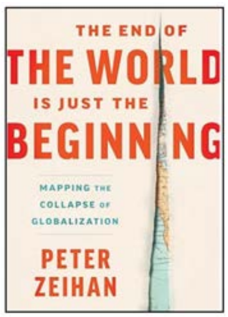
Summer Reading

By Myra Alport

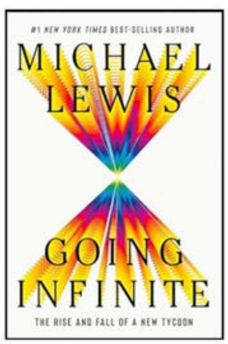
As summer approaches, it's the perfect time to kick back and dive into a good book or audio version. Whether you're cruising on a ship or relaxing in the backyard, a compelling read can provide valuable insights and expand your range of knowledge.

This summer's reading list is curated by the Copperwynd Team.

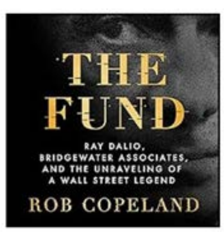
Happy reading, happy listening!



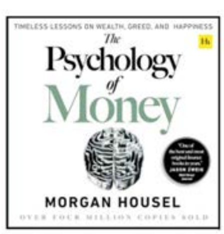
Title: **The End of the World is Just the Beginning: Mapping the Collapse of Globalization**
Author: Peter Zeihan
About: Author and geopolitical strategist Peter Zeihan maps out the next world: a world where countries or regions will have no choice but to make their own goods, grow their own food, secure their own energy, fight their own battles, and do it all with populations that are both shrinking and aging.



Title: **Going Infinite**
Author: Michael Lewis
About: The story of FTX and Bitcoin Exchange Fraud



Title: **The Fund**
Author: Rob Copeland
About: The world of Ray Dalio, founder of Bridgewater Associates, one of the largest hedge funds in the world. The book pulls back the curtain on the company's controversial management techniques, a radical corporate experiment of invasive surveillance, ideological conformity, and pervasive fear.



Title: **The Psychology of Money**
Author: Morgan Housel
About: The behavioral and psychological aspects of money management, highlighting the role of emotions, biases, and long-term thinking in financial success.

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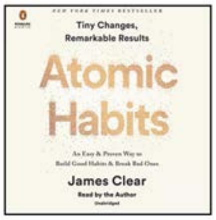
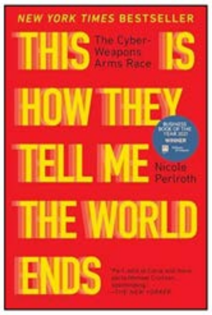
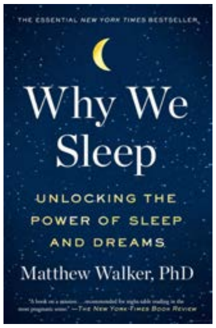


Title: **Atomic Habits: An Easy & Proven Way to Build Good Habits & Break Bad Ones**
Author: James Clear
About: Learning new tools and strategies to form good habits, break bad ones, and master the tiny behaviors that lead to remarkable results.



Title: **This is How They Tell Me the World Ends: The Cyberweapons Arms Race**
Author: Nicole Perlroth
About: The untold story from NY Times cybersecurity reporter on the global cyberweapons market.



Title: **Why We Sleep: Unlocking the Power of Sleep and Dreams**
Author: Matthew Walker
About: Scientific research on the impact sleep has on brain function.

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401(k) Allocation

No trades.

We have maintained our stock and bond exposure for now; however, some trend changes have started to emerge, so we'll be monitoring those developments over the coming weeks. If the short-term trends turn into intermediate trends, we'll make some changes. For now, we feel it's best to stay invested.

May 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 Bons 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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