Furstenau Wealth Update
October 14, 2024

The Markets

There was a lot to celebrate last week!

The Standard & Poor's 500 Index closed above 5,800 for the first time—and that's not all.

The Dow Jones Industrial Average also notched a record high last week—and all three major U.S. stock indices ended the first full week of October with gains of more than one percent.

There was good economic news, too.

- **Inflation continued to slow in September**. The Consumer Price Index showed headline inflation was 2.4 percent annualized—the smallest annual increase since February 2021.

- **Consumers are feeling better than they did a year ago.** "[Consumer sentiment] is currently 8 [percent] stronger than a year ago and almost 40 [percent] above the trough reached in June 2022," reported University of Michigan Surveys of Consumers Director Joanne Hsu.

- **The economy continues to grow.** After inflation, the U.S. economy grew by 3 percent in the second quarter of 2024. Forecasts project that economic growth in the third quarter will be 3.2 percent.

- **Wages have grown faster than inflation**. In September 2024, average hourly earnings were up 4 percent. After inflation, they were up 1.5 percent. Of course, that's a broad reading for the entire country and may not reflect individual experience.

"By just about every measure, the U.S. economy is in good shape. Growth is strong. Unemployment is low. Inflation is back down. More important, many Americans are getting sizable pay raises, and middle-class wealth has surged to record levels. We are living through one of the best economic years of many people's lifetimes…The United States has nearly 7 million more jobs than it did before the pandemic, and the largest share of 25- to 54-year-olds working since 2001," reported Heather Long of *The Washington Post*.

It's remarkable that many Americans still don't recognize the strength of the economy. Last week, a Harvard Caps/Harris Poll found that, "63 [percent] of voters believe the U.S. economy is on the wrong track and 62 [percent] characterize it as weak, consistent with perceptions over the past year."

Last week, major U.S. stock indexes finished higher. U.S. bonds appeared to be headed for a fourth-straight week of declines with the yield on a 10-year note above 4 percent again.

Data as of 10/11/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.1%	21.9%	32.9%	10.1%	14.4%	12.0%
Dow Jones Global ex-U.S. Index	-0.4	9.9	19.5	0.5	4.6	3.1
10-year Treasury Note (yield only)	4.1	N/A	4.6	1.6	1.8	2.3
Gold (per ounce)	-0.1	27.4	41.6	14.7	12.4	8.0
Bloomberg Commodity Index	-1.2	2.2	-2.2	-0.6	5.0	-1.7

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IT'S POLICY THAT AFFECTS STOCK MARKETS, NOT POLITICS. Although presidential elections can affect financial markets over the short term, it is the policies a new President introduces that influence economic growth and the stock market. Sometimes, policies lift the economy. Other times, they don't. For example:

> **President Thomas Jefferson** embargoed all trade with England and France, preventing U.S. ships from doing business with other countries. While he had sound reasons for pursuing the policy, "It decimated the economy…As many as half of the working men in the New England coastal communities were unemployed. Poor houses were overflowed, banks failed," reported WBUR.
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> The embargo was not popular. Eventually, American merchants found loopholes that allowed them to trade with Canada and Spanish Florida. Smuggling also increased.
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> **President Abraham Lincoln** had a profound impact on the United States economy. He led the country through the Civil War, and signed the Emancipation Proclamation, which led to the end of slavery and necessitated the adoption of new economic models.
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> Research from the University of Chicago suggests that "emancipation generated aggregate economic gains for the U.S. economy that were worth between 4 and 35 percent of U.S. GDP, making it, even at the low end of their estimation, one of the most important economic events in U.S. history—bigger than the introduction of railroads, by some estimates, and worth 7 to 60 years of technological innovation in the latter half of the 19th century."
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> **President Jimmy Carter** faced an embargo—the Arab oil embargo of 1973. Demand for gasoline far outstripped supply in the United States, and Americans waited in long lines to fill their cars' gas tanks. In response, the President developed energy conservation strategies.
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> "President Carter signed energy legislation that created the U.S. Department of Energy, provided incentives for renewables and coal, deregulated oil and natural gas prices, and banned new power plants from using gas or oil. Some of these policies have had a lasting effect. Others drew criticism and were ultimately repealed," stated historian Jay Hakes on a Center for Global Energy Policy podcast at Columbia University.

While there are usually differences of opinion when new policies are implemented, the economic outcome is sometimes difficult to predict.

Weekly Focus—Think About It
"History is a jangle of accidents, blunders, surprises and absurdities, and so is our knowledge of it, but if we are to report it at all we must impose some order upon it.

—Henry Steele Commager, historian

Best regards,

Ryan D. Furstenau

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
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Sources:
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