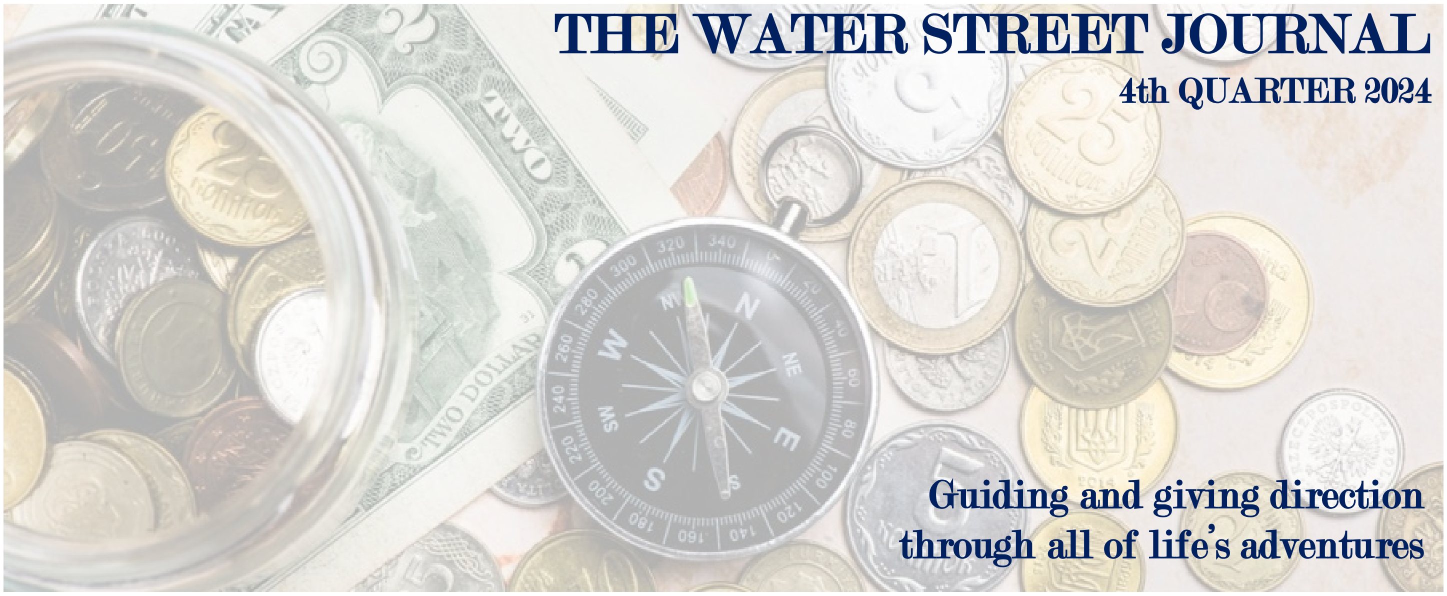

# THE WATER STREET JOURNAL

## 4th QUARTER 2024

**Guiding and giving direction through all of life's adventures**


**DANIELLE VALLEAU**

Financial Advisor

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SPIC


## Inside This Issue



## Did You Know?

From pumpkins and leaves to Halloween and hay bales, here is a cornucopia of autumn trivia questions that will astound and delight you!*

**In colonial times, what were apples called?**
*Winter bananas or a melt-in-the-mouths*

**Where is the Pumpkin Capital of the U.S.A.?**
*Floydada, Texas*

**What is the official word for the sound of leaves and trees rustling in the wind?**
*Psithurism (pronounced sith-yuh-riz-uhm)*

**How many pies can a bushel of apples make?**
*Approximately 21 pies*

**What country started the tradition of pumpkin carving?**
*Ireland*

**What happens if hay bales get too wet?**
*They can spontaneously combust.*

***Monster Mash is played every year at Halloween parties. Who is famous for writing and singing this song?***
*Bobby "Boris" Pickett & The Crypt Kickers*

*Source: 75 Fall Trivia Questions That Might Just Stump You | LoveToKnow

## Staying In Touch

The office will be closed on:

- Veterans Day 11/11/2024
- Day before Thanksgiving (1pm closure) 11/27/2024
- Thanksgiving Day 11/28/2024
- Day after Thanksgiving 11/29/2024
- Christmas Eve (1/2 day) 11/24/2024
- Christmas Day 11/25/2024

The market will be closed on:

- Thanksgiving Day 11/28/2024
- Day after Thanksgiving 11/29/2024 at 1:00pm
- Christmas Day 12/25/2024

Danielle Out: 11/21/2024

When out of the office: Please be aware there may be delayed responses.

# From Danielle's Desk

## September Market Review

Dear Valued Clients:

September is typically the weakest month of the year for stocks, but thanks to the much-anticipated federal funds rate cut, the S&P 500 turned in its first positive performance in a September since 2019, achieving its 43rd record high of the year.

"The Federal Reserve [Fed] is recalibrating policy, and we are likely to see a series of rate cuts over the coming months as it gets closer to neutral, which is ultimately market friendly," Raymond James Chief Investment Officer Larry Adam said.

The Fed took an unusual – but not entirely unexpected – step, cutting interest rates by 50 basis points (bps), rather than the usual 25, and is on track to successfully navigate a "soft landing" for the economy for the first time since 1995. The economy is showing resilience, the labor market remains stable, and inflation appears to be on a better path.

We'll get into more detail shortly, but first, a look at the numbers year-to-date:

| | 12/29/23 Close | 9/30/24 Close* | Change Year to Date | % Gain/Loss Year to Date |
|---|---|---|---|---|
| DJIA | 37,689.54 | 42,330.15 | +4,640.61 | +12.31% |
| NASDAQ | 15,011.35 | 18,189.17 | +3,177.82 | +21.17% |
| S&P 500 | 4,769.83 | 5,762.48 | +992.65 | +20.81% |
| MSCI EAFE | 2,241.21 | 2,447.79 | +206.58 | +9.22% |
| Russell 2000 | 2,027.07 | 2,228.45 | +201.38 | +9.93% |
| Bloomberg Aggregate Bond | 2,162.21 | 2,263.44 | +101.23 | +4.68% |

*Performance reflects index values as of market close on Sept. 30, 2024. Bloomberg Aggregate Bond and MSCI EAFE reflect
Sept. 27, 2024, closing values.

**U.S. economy continues to normalize**

After last month's surprising downward revision to employment numbers spanning from 2023 to early 2024, nonfarm payrolls for August were worse than expected at 142,000 new jobs – still strong compared to historical averages but a signal that the U.S. labor market is continuing to normalize. The job openings report was also lower than expected, and June's numbers were revised lower, bringing job openings closer to pre-pandemic levels. At the same time, unemployment ticked down to 4.2% from 4.3% in July.

The services sector continued to expand in August, helping reduce market concerns about the strength of the U.S. economy. Manufacturing has struggled, but lower interest rates may help the sector out of its slump. Housing starts and building permits were higher than expected in August, and builders have accelerated completions, which increased by 9.2% from July to August and 30.2% year-over-year.

**Market leadership broadens**

While large companies continued to gain in value, small- and mid-size companies saw the strongest returns for the month, underscoring the importance of maintaining in a diversified portfolio. The Technology sector is still settling following its outsized performance earlier in the year, while interest rate-sensitive Utilities and Real Estate sectors are enjoying their time in the limelight. Two out-of-favor areas have perked up in the last week – Consumer Discretionary, thanks to the Fed's rate cut, and Materials because of China's strength due to policy measures intended to perk up the nation's rocky position.

**Long-term yields up, short-term down following rate cut**

After the Fed's September rate cut, the latest Federal Open Market Committee (FOMC) signaled an additional 50 bps in rate cuts by the end of the year and another 100 bps in 2025. Intermediate and long-term Treasury yields ultimately rose following the cut, steepening the curve. As expected, short-term yields fell in the leadup to the rate cut and in the days following: the one-year yield has fallen 73 bps since the beginning of August while the 10-year yield is down by just 21 bps. Bloomberg calculations are estimating 75 bps of cuts across the FOMC's remaining two meetings this year.

Muni-to-Treasury ratios are near their highest levels of the year, with the 10-year ratio at about 70% and the 30-year around 85%.

**Utility sector soars**

As the Fed cut interest rates and the 10-year Treasury yield came down to 3.7% in September, investors began to feel more comfortable about companies that are more reliant on external funding. The Utility sector, which is famously rate sensitive, set an all-time high last month, surpassing the previous high from 2022. Utilities and independent power producers are also benefiting from the sentiment surrounding the AI boom given that the data center buildout is starting to provide a meaningful boost to electricity demand.

**Important legislation excluded during "China Week"**

While the House of Representatives spent significant energy on China-related policy earlier this month, several impactful and long-anticipated pieces of legislation were excluded from votes. Among them: provisions that would apply further scrutiny of U.S. investment into key Chinese tech, place new restrictions on data centers and reform the abilities of Chinese companies to import products into the U.S. duty-free via de minimis exemptions.

September also saw fears of a government shutdown averted, with Congress passing a compromise "clean" stopgap bill that funds the government through December 20. Legislators will now be directing their attention to the annual defense policy bill.

**ECB cuts rates, UK holds steady**

The European Central Bank (ECB) cut all key regional rates in September, a necessary move, according to President Christine Lagarde, because adjusted forecasts show inflationary pressures decelerating further over the bank's two-year time horizon. Lagarde stressed that regional commercial bank lending conditions are still restrictive and expected to remain so for the near future. In contrast to the ECB, the UK's Bank of England maintained the country's base rate of interest at 5.0%, voting by a wide 8-to-1 margin not to loosen monetary conditions for the second time in as many meetings.

Following the backlash against its decision to raise interest rates in July, the Bank of Japan voted to not raise them again during its September rate-setting meeting.

The biggest news across international markets this month was the People's Bank of China (PBoC) announcing broad stimulus measures in the country's latest effort to halt persistent weakness in the real estate sector. The PBoC confirmed that it will set up a facility providing stockbroking firms, investment funds and insurance companies access to central bank liquidity specifically for the purchase of domestic equities.

**The bottom line**

While it's good to see the broadening of the market and the lowering of interest rates excites investors, plenty of variables could spark volatility in the weeks and months ahead, including the health of the economy, employment and Fed messaging.

I remain committed to the pursuit of your financial goals and thank you for your continued trust in my guidance. If you have any questions about this report, or need help with anything at all, please don't hesitate to reach out. Looking forward to speaking soon!

Sincerely,

Danielle Valle

**Financial Advisor / Branch Manager**

**Together, we're making a difference -one backpack at a time!**

Our branch was a drop off location for this year's Greater Augusta Back to School Program (GABTSP). On August 18, 2024, we were happy to volunteer for this memorable event. Thanks to the generous contributions from our community and the hard work of all the volunteers, GABTSP provided over **1000** backpacks filled with essential school supplies to local students.

Each backpack was filled with items like notebooks, pencils, folders, and more- everything a student needs to start the school year prepared and confident.

This event would not have been possible without the commitment of the community members, who donated supplies and time to help make this drive a success. The smiles on the students' faces were a testament to the impact a small gesture can make.

Thank you to everyone who helped us empower the next generation by supporting their educational journey.


**Top Left:** Our generous collection of back to school items that were donated. **Bottom Left:** Michelle Lemieux (L), Marketing and Event Coordinator and Danielle Valleau (R), Financial Advisor/ Branch Manager take a moment to pose in a sea of backpacks. **Above:** Annette Sprague (L), Client Relations & Communications Manager along with Michelle Lemieux (R) can't wait to welcome k-2 students to

## Join Us Online!
## Stay Connected, Stay Informed

Follow our Facebook page and get current, up-to-date information from Raymond James and our office! Simply login to Facebook and search for "Danielle Valleau, Financial Advisor with Raymond James Financial Services"

Check out our website [raymondjames.com/daniellevalleau](raymondjames.com/daniellevalleau), where Client Access, The Water Street Journal, market and investment updates are all some of the resources at your fingertips.

**Just more ways we can stay in touch!**

# The inverted yield curve: Still a reliable signal?

**MARKETS & INVESTING**

October 17, 2024

*Senior Investment Strategist Tracey Manzi notes that while the predictive power of the inverted yield curve has waned this cycle, investors shouldn't dismiss the warning signs entirely.*

***To read the full article, see the Investment Strategy Quarterly publication linked below.***

For decades, yield curve inversions have been a closely watched indicator by financial professionals and the media. And there is good reason for that, as inverted yield curves (i.e., when shorter-maturity yields are above longer-maturity yields) have historically served as an early warning sign of an impending recession. In fact, the 2-year to 10-year yield curve has correctly predicted the last six recessions, only giving one false signal in 1998 – with a recession typically following 14 months, on average, after the curve first inverts. However, this economic cycle has seen many reliable indicators provide false signals, with the inverted yield curve among them. Below we explore whether the yield curve is providing a false signal this time around and what, if any, implications this may have for investors going forward.

## What does the shape of the yield curve signal?

Let's take a step back and look at what signal the yield curve is sending to the market. While there are countless yield curve segments to monitor, the most widely quoted yield curve in the financial media is the 2-year to 10-year spread. Under normal circumstances, the shape of the yield curve is positively sloped, meaning that short-term interest rates are lower than long-term interest rates. Positively sloped yield curves signal that the market expects economic growth to expand in the future, with yields on longer-term maturities higher than yields on short-term maturities as investors demand extra compensation for inflation and the potential for future rate increases. Conversely, inverted yield curves signal that economic growth is expected to slow and that interest rates will be lower in the future. Hence, the yield curve captures the market's expectations for growth, inflation and the direction of monetary policy going forward.

Inverted yield curves also tell you that the Federal Reserve's (Fed's) monetary policy stance is restrictive, as policymakers (who control the front end of the yield curve) are actively seeking to restrain growth and dampen inflation pressures. More important, history has also shown that when the 2-year to 10-year yield curve shifts from its peak inversion point to a positively sloped curve, that has traditionally been one of the strongest signals that a recession is approaching. In fact, a recession has typically followed within two to six months of the curve slope turning positive again. That is why investors are so interested in what comes next, and how best to position their portfolios.

## Why this time may be different

While the market has been on recession watch for well over two years now, starting just after the U.S. economy recorded two consecutive quarters of negative GDP growth in 2022 and again following the first inversion of the yield curve later that year, there is little on the horizon that suggests the economy is at risk of tipping into a recession any time soon. Yes, the economy is slowing, and our economist still expects a modest slowdown in the coming quarters; but barring an exogenous shock, a soft landing remains the most probable outcome. There are several reasons:

- The economy has been remarkably resilient in the wake of the Fed's most aggressive tightening cycle in forty years. Up until now, weakness in some sectors of the economy (i.e., interest- rate sensitive sectors, such as housing and manufacturing) has largely been offset by strength in other areas. The initial boost of spending on things like travel following the reopening of the economy after the pandemic turbo-charged the recovery. Several rounds of fiscal stimulus in the form of the CHIPS, IRA and Infrastructure Act passed by Congress over the last few years have also boosted growth. Sure, these areas of support could fade, but the point is: the Fed has plenty of fire power at its disposal to lengthen the expansion's runway and fend off any recession risks that arise.
- While the labor market is cooling, the unemployment rate (at 4.2%) remains low by historical standards even though it has climbed 0.8% since 2023. Thus far, much of the adjustment has come from a slowdown in the pace of hiring, with job growth averaging 114k over the last three months, down from a 196k pace over the last 12 months. The key point: the slowdown in the labor market from its overheated pace has occurred with minimal job losses. And if our economist is right, we should not see any job losses this cycle – that's a big difference versus other cycles.
- Finally, the Fed did not overtighten. While there is some truth to the old adage that "The Fed will keep raising rates until something breaks" – it has done an exceptional job navigating one of the most challenging economic cycles in modern history. For sure, there have been some growth scares along the way, and we are not fully out of the woods yet – but so far, the Fed's campaign to slow the economy and rein in inflation has done so without plunging the U.S. into a recession.

While the predictive power of the inverted yield curve has waned in this cycle, it does not mean that investors should dismiss the warning signs entirely. That is why we continue to monitor it; but augment our analysis with other fundamental macro signals. And for now, these signals suggest the U.S. economy is on track for a soft landing.

Read the full
*Investment Strategy Quarterly*





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RAYMOND JAMES


Did you know that 33% of US citizens have experienced identity theft? Every year, approximately 15 million more Americans are victims, with total losses of more than $10 billion in 2023.

On Wednesday, November 6th, we are thrilled to offer you and your family the opportunity to hear Jeff Lanza, a former FBI agent, share stories on what cybercriminals are doing today and what you can do to protect against these threats.

Jeff was an FBI Special Agent for over 20 years, during which he investigated cybercrime, organized crime, human trafficking, and terrorism. Jeff has lectured at Harvard and Princeton Universities and written two highly reviewed books. He is featured in a Netflix documentary about the FBI and he often appears on national television news programs where he talks about the growing threat of cybercrime.

Joining Jeff will be a Raymond James Senior Cybersecurity Analyst, Rafael Escoto Roa, who has extensive experience in both military and corporate environments and will explain what Raymond James does to protect your investments from these threats. In under 60 minutes, you will be a hack against cybercrime and will be able to spot and avoid some of the most popular scams. This will help you and your loved ones avoid being a victim.

**Wednesday, November 6th**

**4:00 PM ET / 3:00 PM CT / 2:00 PM MT / 1:00 PM PT**

To register for the webinar, please click on the button below.

**Register here**

This event is sponsored by Macquarie Asset Management, one of our asset management partner firms.

RAYMOND JAMES



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# The psychological side of spending your retirement savings

**RETIREMENT & LONGEVITY**

*Many investors worry about outliving their savings. As a result, they sometimes underestimate what they can comfortably spend in retirement.*

For years, you've been saving and investing for retirement.

But what happens when you finally retire and it's time to switch gears from saving to spending?

It turns out, many people are so focused on accumulating assets that they never really think about actually withdrawing the money. In fact, recent studies show that many retirees aren't drawing down their retirement portfolios, opting instead to live on Social Security and the minimum required distributions (aka RMDs) so their portfolios can continue to grow. This may lead to unnecessary sacrifices in a retiree's standard of living. After almost two decades in retirement, most current retirees still have 80% of their pre-retirement savings, according to research from BlackRock.

## The problem with uncertainty

So why aren't these retirees spending their nest eggs? Some may be spending as little as possible to leave behind a larger sum for their loved ones or philanthropic pursuits. But in many cases, it's because they aren't sure how to determine a sustainable withdrawal rate that accounts for their total lifespan. They worry about the "what ifs" retirement may throw their way and want to be prepared. You may be able to relate.

This latter group understands that over the course of a long-term retirement, inflation can erode savings. Portfolio returns can vary, and healthcare costs can quickly escalate. And they may be concerned about outliving their savings – only 25% of baby boomers believe their savings will last throughout retirement, according to the Insured Retirement Institute. By spending less and allowing their savings to potentially grow in the early years of retirement, they hope to offset some of the uncertainty.

Collaborating with your financial advisor can help increase your confidence about having enough money to live comfortably in retirement. Just like in your working years, you can establish a just-in-case cash cushion or line of credit that helps put you at ease. And having a sound distribution strategy in place – one that takes into account your income sources, lifestyle, asset locations and tax situation – can help you enjoy the retirement lifestyle you envisioned.



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## Withdrawing your money

When it comes to withdrawing your retirement savings, here are a few things to consider:

**Organize your expenses:** Three typical categories include essential expenses (think food, housing and insurance), lifestyle expenses (vacations, hobbies) and unexpected expenses (healthcare costs, auto repairs). Consider paying for your essential expenses with guaranteed income sources such as Social Security or annuities. Use growth or income investments to pay for lifestyle expenses, and maintain a cash reserve for any unexpected costs that might occur.
**Be flexible.** For instance, a downturn in the market is a good time to tighten the reins on your spending. But if you experience some unexpected investment gains, the timing might be right for that dream vacation. There's little doubt your income needs will fluctuate during retirement. The early years may be filled with travel and other big-ticket items that require more substantial withdrawals. As time goes on, you'll likely travel less, but your healthcare expenses may increase. Studies show that spending tends to decline in the later years of retirement, most likely the result of less travel and similar pursuits. People ages 55 to 64 spend on average $60,076 per year, while people ages 65 and over spend $45,221, according to the Bureau of Labor Statistics.

Building in flexibility allows you to go with the flow. Just be sure to regularly touch base with your advisor so your budget can stay on track.

**Review your plan.** Work with your advisor to develop and review your retirement income and distribution strategies. You can run hypothetical simulations based on different withdrawal rates, how many years you will live in retirement or any other contingencies, which will allow you to develop a better idea of how much you can comfortably and confidently spend in retirement to help achieve your goals.
Everyone's retirement situation is different. You may have encountered some unexpected circumstances, such as a layoff or forced retirement that occurred earlier than you planned, and you weren't able to save as much as you hoped. On the other hand, leaving a legacy may be your primary goal. Whatever the case may be, establishing a withdrawal strategy that's right for you – while also keeping your emotions in check – is often a good plan of action.

*Sources: kitces.com; forbes.com; cnbc.com; ournextlife.com; smartaboutmoney.org; thestreet.com; kiplinger.com; myirionline.org*

*Raymond James and its advisors do not offer tax advice. You should discuss any tax matters with the appropriate professional.*

# Weave more of what you love into everyday life

**FAMILY & LIFESTYLE**

*How to mindfully incorporate your favorite things in your day to day.*
A recent study found that Americans rated listening to their favorite song, enjoying a nice dinner and watching their favorite movie as the top three “little things” that bring joy. While they’re all pretty easy to incorporate into life, more than half of those polled said they don’t enjoy life’s simple pleasures enough and others felt like they don’t have enough time to.

Sometimes we take little moments for granted if we’re not plugged in (or unplugged, rather) and being mindful. It’s easy to harp on the negatives, but positive thoughts have more power than you think – and it doesn’t have to be a grand gesture to count.

## Identify what makes you happy

Flowers delivered on our birthday make us smile, but did you ever think about visiting a flower shop to pick out your own once a month? The idea is to slow down enough to recognize those moments of joy and seek to replicate them more often.

Sometimes finding the positive means feeling the negative first. You can counteract the feelings of longing, like missing your kids during a day at the office, with something good. Frame a bunch of goofy family photos that make you laugh (they say it’s the best medicine, after all), then set them up all over your workspace.

## Incorporate simple pleasures in everyday life

We’re glued to our smartphones (potentially a problem in and of itself), so use its features to remind you of the little things that make you happiest. You can use your notes app to jot down what made you smile throughout the day. It’ll become a go-to list to look at when you’re in need of a boost. (There’s something particularly powerful about writing them down – or typing them out – that makes them stick in your memory.) Sit on the front porch with a cup of coffee, take a walk in the park or make a home-cooked meal … you get the gist.

Most small moments don’t need a big budget, but there are some you’ll want to plan for – like exploring somewhere new or luxury bed linens (both of which made a top 50 list of simple pleasures). If that pressed crease in your pants puts a smile on your face, work a weekly dry-cleaning visit into your budget.

While it’s human nature to have what psychologists call “negativity bias” (a totally normal way your brain protects you from future harm), pessimism can take its toll. Balance that with a small dose of joy now and again, and you may just find yourself walking lighter.




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**Next steps**

If you're looking to retrain your brain to seek out the simple pleasures in life:

- Focus on the good things, no matter how small and even in the most challenging of situations
- Keep a gratitude journal to hold you accountable for practicing thankfulness daily
- Prioritize what makes you feel happy by setting aside time, energy and a budget to see those things through

*Sources: slh.com; healthline.com; huffpost.com*

## If you are already a client and your financial situation, risk tolerance, or goals and objectives have changed, please give us a call.


We are grateful for you, enjoy the rest of the season.
Danielle, Annette & Michelle