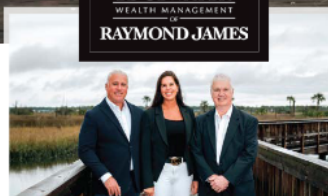




*"Someone is sitting in the shade today because someone planted a tree a long time ago."*

**Warren Buffett**



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## **Keep Politics Out of Your Portfolio**

The U.S. Presidential election is dominating news cycles, and as an investor, it's easy to let political fervor influence your investment decisions. However, maintaining a clear boundary between politics and your portfolio is crucial for long-term financial success. Here are several strategies to help you navigate election years without letting politics sway your thinking.

- **Markets Don't Pick Sides:** Growth is driven by the economy, tech, and global events – not who's in office.
- **Political Predictions Are Tricky:** Betting your investments on specific political outcomes is risky because the path from campaign promises to enacted policies

is often unpredictable.

- **Stay Rational:** Emotionally charged choices aren't often based on sound financial principles.
- **The Power of Diversification:** Diversifying your investments reduces the impact of any single political event.
- **Embracing a Long-Term Perspective:** Staying focused on your long-term goals helps you ride out the temporary waves of election-related market movements.

Successfully navigating election years requires a disciplined approach that keeps politics out of your portfolio. Look at the bigger picture, set aside your political beliefs, and you'll make smarter decisions with your money.

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## Spotlight

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We remember the lives lost during the horrific attacks on September 11, 2001, and their families, and we honor the heroes who bravely responded when it was needed most.

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## **August Market Review**

August brought a bit of whiplash for investors.

Markets fell at the beginning of the month, caught in the ripples of an interest rate increase in Japan disrupting a significant currency trading strategy. This led to a brief, intense global selloff.

In the U.S., the incident was aggravated by a weak jobs report with unemployment rising from 4.1% to 4.3% – which remains historically low, it's worth noting. The report brought the U.S. into Sahm rule territory, a macroeconomic assessment which judges whether the economy is in recession based on unemployment rate increases.

Additionally, several disappointing earnings releases created a sense of caution with investors over the health of the consumer.

“However, other data has been stronger, and a soft landing still appears to be the most likely outcome for the economy,” Raymond James Chief Investment Officer Larry Adam said. “For instance, retail sales for July were up a healthy 1% and the Consumer Price Index [CPI] showed that inflation is being tamed with three-month core CPI falling to an annualized rate of 1.6%. And the stage appears set for the Federal Reserve [Fed] to kick off an easing cycle, which should support broader participation and higher equity markets longer term.”

Toward the end of the month, Fed Chair Jerome Powell said “the time has come” for the Fed to adjust policy, a much-anticipated statement for those expecting interest rate cuts this year. Those remarks kicked off an equity market rally, with the S&P 500 ending the month up 2.3% and the Dow Jones Industrial Average hitting an all-time high.

We'll dive into the details below, but first let's look at the numbers year-to-date:

	12/29/23 Close	8/30/24 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	37,689.54	41,563.08	+3,873.54	+10.28%
NASDAQ	15,011.35	17,713.62	+2,702.27	+18.00%
S&P 500	4,769.83	5,648.40	+878.57	+18.42%
MSCI EAFE	2,241.21	2,447.79	+206.58	+9.22%
Russell 2000	2,027.07	2,217.63	+190.56	+9.40%
Bloomberg Aggregate Bond	2,162.21	2,233.77	+71.56	+3.31%

\*Performance reflects index values as of market close on Aug. 30, 2024. Bloomberg Aggregate Bond and MSCI EAFE reflect Aug. 29, 2024 closing values.

### **Labor market weakens**

The U.S. labor market has weakened, as suggested by data including a major revision of jobs reports spanning April 2023 to March 2024. The Bureau of Labor Statistics lowered estimates by 818,000 jobs, a 29% difference from preliminary estimates. Combined with the inflation rate continuing to decelerate, the weaker jobs numbers made the Fed's path to lowering interest rates clearer.

### **S&P 500 rallies, but headwinds remain**

The S&P 500 experienced a good rally – up 8% over eight days – affecting a wide range of stocks while volatility indicators remained low. This was supported by reassuring economic data, namely the third consecutive month of sub-0.2% core CPI increases and the uptick in retail sales. Headwinds remain, however, and August and September are typically the softest months of the year for stocks, so further volatility is to be expected.

An interesting dynamic developing in the S&P 500 is the subtle shift in market leadership. Defensive, interest-sensitive sectors like utilities, real estate and health care are at new highs, while the semiconductor group is down.

### **Treasury yields lower, rate cuts imminent**

Treasurys rallied across the curve in August, bringing yields lower. One-year and two-year Treasury yields are down 35 basis points (bps) and 39 bps respectively, while the 10-year and 30-year yields are down 19 bps and 17 bps.

Fed Chair Powell's statement from Jackson Hole indicated interest rate cuts are

coming, with investors expecting two to three 25 bps cuts by the end of the year. Next year could deliver more than 200-plus bps cuts, bringing the yield curve to a more normal, upward slope.

### **Tech tension escalates**

In its simmering trade conflict with China, the U.S. Congress is tightening control over tech exports, especially semiconductors, and seeking international support, particularly from the Netherlands and Japan. Expectations are high for new rules targeting high-performance memory chips while the Commerce Department is considering new restrictions on AI memory chips, which could impact major tech companies' ability to sell to China.

### **Oil demand high, despite headwinds in China**

Oil prices are down as the summer driving season comes to an end, prompting OPEC to extend production cuts. Global demand is at a record high in 2024, 3% over pre-COVID-19 levels, but is still less than oil producers hoped for early in the year. Among the reasons: China, the world's largest oil importer, has become the first major economy where electric vehicles have reached 50% of auto sales. Meanwhile, neither the conflict in Gaza nor the one in Ukraine has had any meaningful effect on oil supply.

### **Japan's economy reveals fragility, UK's shows resilience**

The benchmark Nikkei 225 index plunged after the Bank of Japan raised interest rates on July 31, demonstrating the fragility of the Japanese economy and financial markets. While the market has since rebounded, the country's economy continues to face significant headwinds, including an aging population and low domestic demand.

Bank of Japan Governor Kazuo Ueda defended the decision to raise interest rates, saying the market turmoil had more to do with concerns about the U.S. economy than Japan's, while Finance Minister Shun'ichi Suzuki argued that higher interest rates could be detrimental to the Japanese economy.

The UK economy is showing some resilience, with a 0.6% growth in GDP in the second quarter and a strengthened pound sterling. With inflation slightly above its 2.2% target, the Bank of England cut interest rates by 0.25% to 5.00% – the first cut since the start of the pandemic. However, Finance Minister Rachel Reeves discovered a £22 billion shortfall in next year's budget, which, along with pressure to increase wages in the public sector, could have a negative effect on inflation and economic growth.

### **The bottom line**

As we remain in the weakest seasonal period of the year, investors may expect to see some back-and-forth trading ahead. Economic data and actions from the Fed will remain key influences to watch.

We will remain committed to the pursuit of your financial goals and thank you for your continued trust in our guidance. If you have any questions about this recap – or anything else – please don't hesitate to reach out.

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# Articles

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## Your year-end tax planning checklist

### TAX PLANNING

*Kickstart your tax season planning with this list of important deadlines, relevant documents and strategy considerations.*

With the end of the year fast approaching, now's the time to take advantage of tax-deferred growth opportunities, tax-advantaged investments and charitable giving opportunities, among other strategies. You'll also want to maximize deductions and credits ahead of tax season.

As you consider these year-end options, sit down with your advisor to review your investments in light of your goals, the tax environment and the economic landscape. The conversation can help identify where adjustments need to be made to position yourself for next year and beyond.

Use the year-end tax planning worksheet below to kickstart the conversation and keep you on track throughout the upcoming tax season.

### Year-End Tax Planning Worksheet

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## Let's Connect

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## Want a Second Opinion?

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