GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

February 2024

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4954.23	**2.24%**	**3.87%**	**3.87%**
Dow Jones Industrials	38521.36	**0.97%**	**2.21%**	**2.21%**
NASDAQ Composite	15609.00	**2.93%**	**3.98%**	**3.98%**
New York Stock Exchange	17135.48	**1.33%**	**1.68%**	**1.68%**

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.41%
10-yr Treasury Bond	4.10%
30-yr Treasury Bond	4.30%

Information as of February 6, 2024 Source: FactSet

MARKET COMMENT

The Fed Put

As we wrote last month, investors experienced several twists and turns in the 2023 economy and financial markets, so this month we would like to explore what we consider the root of those events. On October 19, 1987, the Dow Jones Industrial Averages declined nearly 22% and was pointing to an impending financial crisis for investors. Then Federal Reserve Chairman, Alan Greenspan, stepped in and provided financial support through rate cuts, which stabilized the markets and created a protective floor or "put" for investors. This action allowed investors to feel more confident that their assets would not continue to melt away and, naturally, markets rallied back up on the news of the Fed's accommodative actions. Greenspan intervened many times throughout his tenure at the Federal Reserve to calm markets during financial disruptions. This established a strong precedent for future Fed intervention, which we saw during the 2000 Tech Bubble implosion, 2008-2009 Great Recession, and, most recently, with the zero-interest rate policy during the COVID pandemic. The "Greenspan Put" has become a financial axiom that refers to investors' expectation that the Federal Reserve will intervene during volatile financial markets – rather than investors individually purchasing put options to minimize their losses on their own portfolio, which was the traditional way of hedging your investment positions.

So, how do all these Fed interventions impact yield curves, recessions, unemployment, inflation, and stock market performance? Our theory is that they have created "The Fed Put," whereby the Fed has become more proactive to step in and avoid market turmoil. This new era of proactive monetary policy has created a "moral hazard" for investors, companies, and our economy. The Fed Put allows investors to avoid bearing the full cost of the risk taken on their individual investments by negating risk management and shifting downside protection to the sheer belief that the Fed will always be there to bail out markets, investors, and our economy. As an example, at the end of 2018, the stock market dropped ~ 20% on the Fed's decision to increase interest rates. This decisive drop caused an about-face at the Fed and they quickly announced a pause to future rate increases at their next meeting, causing the market to rally back up ~20% over the next two months. In this scenario, the Fed amended their monetary policy to accommodate the financial markets – a consideration that would have been far-fetched to Federal Reserve governors before Greenspan.

Over the past 18-months, the Fed aggressively raised interest rates to slow rising inflation. This caused several market declines during that period, which is a normal market response to tighter monetary policy. However, these market losses prompted the Fed to hint about holding rates steady, and even the possibility of future interest rate cuts, which caused the stock market to quickly rally at the end of 2023 on anticipation of The Fed Put. The Fed seems to be on a course to micromanage monetary policy, versus managing their dual mandate of stable prices and full employment via a slower macro approach. Perhaps it is the sign of our times as we expect immediate responses to emails and text messages versus mailing a letter and waiting days, sometimes weeks, for a response. Investors have grown to expect immediate resolution of market turmoil by the Federal Reserve.

Throughout its history, the Fed has always been a major influence on the economy and markets, but it does seem that we now live in a time where investors may believe the Fed has the power to fine tune our economy and prevent high unemployment, minimize the risk of recessions, and even secure individuals' personal investments and financial well-being. We, however, will continue to believe recessions have not been outlawed, and that humans remain fallible and will continue to let their emotions drive their investment decisions. The Fed may intervene to support markets and the economy, but to our knowledge, they have not personally guaranteed individual investors protection from losses, so we will continue to exercise our prudent investment process into the future.

As always, thank you for your continued trust and confidence.

PLANNING STRATEGY

Raymond James "Commentary & Insights"- M23-118104

Strategies for Keeping Your Beloved Home Within the Family

Preserving your property across generations takes thoughtful planning and open communication.

Watching your daughter take her first steps in the nursery. The porch where you saw your little ones head off to kindergarten. Standing in the kitchen jumping for joy as your son received his first college acceptance letter.

Your home is full of delightful, heartwarming memories. And if you decide you'd like to keep it within the family for generations to come, you'll need to teach your loved ones how to thoughtfully preserve, invest and share their inherited wealth and property.

Communicate with loved ones

Start by speaking with your closest loved ones about your family history, values and plans. These transparent discussions can help frame your collective vision and prepare the next generation to further your family's financial and philanthropic goals. It'll also help set the stage for making decisions together on practical matters – such as caregiving needs or succession plans for the family business.

Familial decision-making will also be necessary when you feel the time is right to bring up your cherished property. Some clear questions will need to be asked and answered:

- First and foremost, are your heirs interested in owning and operating your family home?
- Are they willing and able to cover routine expenses for the property's upkeep?
- Who will be responsible for coordinating service providers like plumbers, electricians or lawn care?
- Who will pay insurances and taxes?
- Who will check on the place periodically?

Consider available strategies

Once you and your family members reach a mutual understanding, speak to your advisor about different planning strategies for transferring your property's ownership.

Direct transfer
A direct transfer is one of the most common ways to bequeath property, since it allows ownership to be transferred for generations by deed. Within direct transfers, there are various options that may work for your family, including joint tenancy with rights of survivorship, tenants in common, life estate or transfer on death.

Note that while direct transfers are relatively easy and inexpensive, they do not offer protection from creditor claims or messy legal situations like divorces. It can also be difficult to resolve conflicts or transfer ownership.

Incorporate
To incorporate, depending on your state's laws, you can name your home as a limited liability company (LLC). You keep at least 51% and designate your children as shareholders of the rest.

Be sure to create an operating agreement that sets procedures to transfer ownership and guidelines for property use, while also planning to include enough money to maintain the property (people often choose life insurance proceeds). Your operating agreement should have an "out" so your heirs have the option should they need to sell the house or buy out another owner. Be sure to indicate who needs to agree to a sale and what will be done with the proceeds.

Incorporation offers flexibility, reduction of your taxable estate and protection for family members. However, it can be costly to establish and maintain an LLC.

Trust
Trust agreements outline terms of use and how the property will be transferred, held and managed. Trusts are popular as they allow some degree of control and can be less expensive to draft and implement than other options like an LLC.

However, certain trusts can lack flexibility should circumstances change. For example, irrevocable trusts usually cannot be amended. Many options exist (i.e., revocable and irrevocable trusts, irrevocable grantor trusts and qualified personal residence trusts, to name a few), so consult an experienced financial advisor or estate attorney.

There's no one-size-fits-all solution for passing on your family home – you'll need to consider each heir's own family structure, geographic distance and willingness to take on responsibility. Ultimately, your plan should facilitate a smooth transfer of ownership, detail shared responsibilities, establish liability protection and document a process for conflict resolution.

Even after creating your plan, be sure to keep conversations going with your family, your advisors and the rest of your professional team. Your decisions should be properly documented, but most importantly, you'll want to make sure your wishes are thoroughly understood.

Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.

LIFE & LEISURE

Raymond James "Commentary & Insights" – M22-4098458

Make Data Privacy a Priority in 2024

As our lives become more digitally integrated, our data becomes more valuable.

Often, data collectors say that the vast amount of information they take in is tightly secured or anonymized before it is packaged and resold. However, MIT researchers discovered in 2018 that individuals could be identified by combining two anonymized data sets covering the same population. A 2019 series from The New York Times went further, exposing the risk to privacy on a massive scale if a major tech firm's anonymized location data was stolen and cross-referenced to publicly available property records.

As long as consumers' concerns about privacy remain limited, there is little incentive for companies to cull their data collecting habits. When buying a new smart device such as a phone, tablet or computer or using a new service, look into its commitment to privacy. The market for such devices is growing, but at the moment they tend to be on the premium side of the product spectrum. Expect that to change as this topic gains traction.

In the meantime, here are some best practices to help minimize the amount of your information that data collectors can access.

Turn off personalized ads

Many of the largest ad space sellers, particularly those providing tech services like email and social media, now give the option to depersonalize your advertising experience. They'll still collect the information, but there are some limits to how specifically targeted the ads can be. This is becoming a battleground topic in the tech industry, as companies that don't rely on ad sales are finding privacy to be a strong selling point.

Skip the quiz

That silly online quiz to help you determine which fast food mascot you are may be mining serious information about you. Though it's a bad practice, many online accounts rely on security questions to establish your identity, questions that are easily snuck into online quizzes.

Go digital and shred the rest

Your home or driveway may be advertising your wealth, making your mailbox and your trash a target. Despite the well-publicized thefts of user data in recent years, an online account is in many ways more secure than an unlocked mailbox, and generally less personal. Privacy experts recommend making the switch, and when you do get mail that contains information about your health, finances or family, make sure to shred it before you toss it.

Know what health data is being collected

The Health Insurance Portability and Accountability Act, or HIPAA, protects the information shared with your care provider. There is no similar regulation for health data you share with your fitness device manufacturer. It's worth your while to make sure you understand what information is being collected and for what purposes. Go into the device settings to see what options you have. The EULA, or end-user license agreement, will have more information if you can read legalese.

Sources: The New York Times; Vox; The Washington Post; Fast Company; Massachusetts Institute of Technology; Consumer Reports; NPR; Goldman Sachs; ZDNet.com

Quote of the Month: "If I turn out to be particularly clear, you've probably understood what I've said" – Alan Greenspan

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