GATEWAY INVESTMENT MANAGEMENT OF RAYMOND JAMES®

THE COMMUNIQUE

May 2024

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	5180.74	2.88%	-1.40%	8.61%
Dow Jones Industrials	38852.27	2.74%	-2.40%	3.09%
NASDAQ Composite	16349.25	4.42%	-0.18%	8.91%
New York Stock Exchange	17963.83	2.05%	-1.90%	6.59%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.83%
10-yr Treasury Bond	4.49%
30-yr Treasury Bond	4.64%

Information as of May 6, 2024 Source: FactSet

MARKET COMMENT

April Showers Bring May Flowers

According to the adage, April showers are supposed to bring May flowers, but this April the Federal Reserve Chairman, Jerome Powell, provided a real gully-washer to the stock market with his comments on fewer (if any) interest rate cuts this year due to "sticky" inflation in our economy. This news caused the stock market to pull back approximately 5%.

The market's response brings to mind another old stock market adage that says, "sell in May, and go away." History shows that May through October is the weaker 6-month period for stock market performance than November through April, so how might we sift through these recent developments and the effects of seasonality?

The stellar stock market performance of the first quarter was built on the forecast for upcoming Federal Reserve interest rate cuts (originally 6 this year, but now down to only 1 projected), a continued strong economy with robust employment, and continued reasonable corporate earnings. Now, it appears the market is adjusting to how the economy and future corporate earnings will be in the 2nd half of 2024 without the expected 6 interest rates cuts, and perhaps, with no cuts at all this year. The original idea that initiated the market rally was that the expected interest rate cuts would provide fuel for a "soft-landing" versus a recession in the economy, but with inflation hanging around 3.8% - and no longer declining toward the Fed's target of 2.5% - the market is less certain of that "soft landing."

As we always say, "no one can accurately predict the future," but it does seem to us the soft-landing scenario seems more likely due to our strong employment, consumers adjusting their lifestyle to higher rates, the probability the next interest rate move will be down not up, and corporations continuing to adjust to changes in our economy to create rising earnings – which is the "engine" of the stock market.

It is likely that the stock and bond market are in for increased volatility compared to what investors experienced during the first quarter – especially in the seasonally weak period. But volatility creates opportunity to invest for the future, so the next 6-months may provide for more ups and downs, but clearer skies might be in the forecast this Fall and into 2025.

As always, we thank you for your continued trust and support, it is highly valued.

PLANNING STRATEGY

Raymond James "Commentary & Insights"- M22 - 4670668

Don't Let Estate Blunders Get in the Way of Your Wishes

You've worked long and hard to build your estate. Don't let blunders keep your wishes from being carried out and leave your family – and wealth – in the lurch.

Here are a few lessons to keep in mind.

No plan in place

Prince Rogers Nelson did a lot of things right in his life, leaving an indelible musical legacy that spanned generations. Unfortunately, his financial legacy wasn't as successful. The artist formally – and formerly – known as Prince passed away in 2016 without an estate plan in place. Years of legal battles ensued.

Prince didn't have a will, an executor or a trust in place, which left his hundreds of millions of dollars, his music library and his assets up in the air. In the void, multiple people vied to serve as the executor of the vast estate. With so many in the mix, the petition went to court, with siblings and half-siblings battling for control.

The point is that it's imperative to not just name your executor or any other position with responsibility for overseeing your wishes (like a trustee or power of attorney) but to cast the right person in each role. Thoughtfully selecting these financial caregivers could help you avoid the bungles and blunders that even celebrities fall prey to.

Smoke and mirrors

Tobacco heiress Doris Duke left behind an estate worth $1.3 billion and a sizable sum to her charitable foundation. She named her butler as executor and trustee of the foundation. It wasn't long before his spending was called into question, and he was booted by a probate judge, only to be reinstated by a higher court. A battle ensued and the parties settled on a board of trustees to manage the foundation.

The moral of the story? Thoroughly vet your chosen representative. Be extra careful whom you pick as an executor, trustee or guardian. For a large trust or foundation, a corporate trustee or board may be ideal to handle financial and administrative tasks. Also, have a backup plan in case your chosen designee declines the responsibility or is unable to uphold his or her duties.

The dotted line

One gentleman went through all the motions with his attorney and financial planner, setting up a will and living trust, but he never signed them. Time got away from him, and sadly, so did his memory. As his Alzheimer's advanced, his family stepped in to help, but were dismayed to discover the invalid documents. Because there was no trust or power of attorney to dictate the man's wishes, a guardianship was required to manage both his personal and financial affairs. The family was forced to go through a court to manage his finances, a cumbersome and expensive process, and his wishes for the final distribution of his assets didn't occur.

The lesson here? Resolve to be proactive. Waiting puts you and your estate at the mercy of life's great unknowns. We can't guarantee tomorrow, as much as we'd like to, but we can do as much as possible to ensure that our loved ones are taken care of when we no longer are able to do it ourselves.

Sources: *More than Money 360; Broadridge; Florida Bar; fox43.com; caregiver.com; National Caregivers Library; mylifesite. net; money.usnews.com; Raymond James research; legalzoom.com; MFS; cnbc.com; uslegalwills.com; caring.com; Accenture; cegworldwide.com; Nuveen; kiplinger.com*

LIFE & LEISURE

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Leveraging a Non-Occupant Co-Borrower to Buy a Home

For first-time homebuyers, qualifying for a mortgage loan can be a challenge, especially if their income, credit score or debt-to-income ratio falls a bit short of their lender's requirements. However, they do have options.

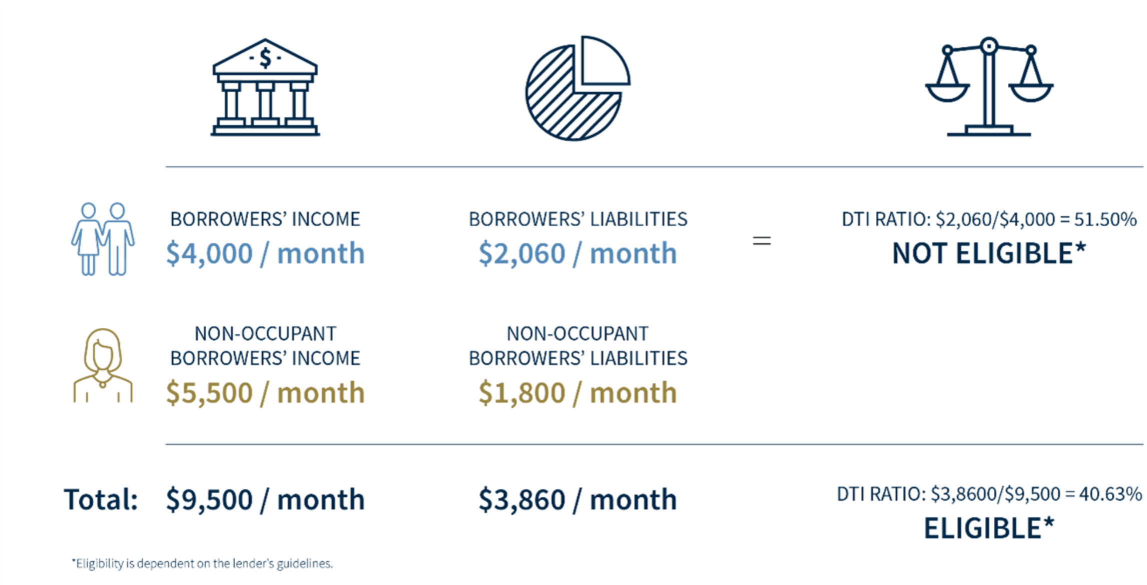
One way to increase the chances of getting their mortgage application approved is to have family member or friend sign on as a non-occupant co-borrower.

A non-occupant co-borrower is someone who signs for a mortgage loan alongside the primary borrower but does not plan to live in the home that's being financed. Like a co-signer, a non-occupant co-borrower is responsible for mortgage repayment if the primary borrower defaults.

Just like the primary borrower, lenders take into consideration the co-borrower's income, credit history and existing debts, so if their debt obligations are too high, they may not be able to help the borrower qualify for the loan.

For example, say a young couple wants to buy their first home, but with $50,000 in student loans, their debt-to-income (DTI) ratio – their total monthly payments divided by their gross monthly income – is too high to qualify for a loan.

But if his mother signs on as a borrower on the mortgage, the lender now also includes her income and liabilities in the DTI ratio.



This strategy provides a multigenerational benefit: The mother can invest in an asset that may grow over time and the son can buy a home of his own. If the non-occupant co-borrower wishes to be removed from the loan at a later date, the homeowner may be able to refinance the home solely in their name.

Most often a parent or other close relation to the borrower, a non-occupant co-borrower is fully responsible for the loan, which does have potential drawbacks. For example, their credit will be negatively affected by missed or late payments. It could even reduce the chances of the parent obtaining their own mortgage or other type of loan, because the home being financed will be included in their own DTI ratio.

While non-occupant co-borrowing is still relatively unknown as a viable solution, it may become a more popular option in the future. With the average student debt balance near $40,000, a family co-borrower could help make a young family's dream of homeownership a reality.

Sources: *Fannie Mae, Homebuyer.com, Mortgage Research Center, Guardian Mortgage, Education Data Initiative*

Quote of the Month: "Stories change people while statistics give them something to argue about." – Bernie Siegel

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