RAYMOND JAMES

TAYLOR HARRISON WEALTH MANAGEMENT

Quarterly Investment Trends

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IMPORTANT DATES

- **TAX DAY 04/15**
- **MEMORIAL DAY 05/27**
  Markets/Banks Closed
- **MOTHER'S DAY 05/12**
- **FATHER'S DAY 06/16**
- **JUNE TENTH 06/19**
  Markets/Banks Closed
- **INDEPENDENCE DAY 07/04**
  Markets/*Banks Closed*

This Issue:

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Second Quarter Newsletter 2024

Texas Fights Back

In previous newsletters I have talked about the ESG (Environmental, Social & Governance) movement within corporations and how large money managers have pressured corporations toward ESG.

In The Texas Minute on 3/20/24, this article highlights what the state of Texas is doing about it:
Texas School Fund Divests $8.5 Billion From BlackRock

- In recent years, major investment firms have been boycotting energy companies under the banner of "Environmental, Social, and Governance" investing. The state of Texas is fighting back, pulling $8.5 billion in assets from global asset manager BlackRock.
- State Board of Education Chairman Aaron Kinsey announced Tuesday that BlackRock was not in compliance with a new Texas law that prohibits state funds from being given to organizations that boycott energy companies. As a result, the state will divest its Permanent School Fund from BlackRock.
- "BlackRock's dominant and persistent leadership in the ESG movement immeasurably damages our state's oil & gas economy and the very companies that generate revenues for our PSF."
  – Aaron Kinsey

Bitcoin Hits New High[1]

The first Bitcoin transaction occurred in 2010 when Laszlo Hanyecz agreed to pay 10,000 BTC for two Papa John's pizzas. Today his 10,000 BTC could buy 28.3% of all Papa John's![1]

Bitcoin's journey since 2010 has been anything but predictable, marked by significant volatility and resilience. Since 2010, BTC has experienced 15 drawdowns of 30% or more from a previous peak. The most severe of these downturns include two staggering drops of 94%, followed by declines of 85%, 84% and 78%. But holding through the volatility has been rewarded with the price of BTC going from less than a cent to over $67,000 today.

Bitcoin supply is capped at 21 million coins, a distinctive figure that sets it apart from fiat currencies susceptible to inflation. This limit is enforced by "halving events" occurring roughly every four years, where the block reward for minors halves. The next halving is expected in April 2024. The 21 millionth bitcoin is expected to be mined around the year 2140.

Bitcoin is a digital currency that operates independently of a central bank or single administration, utilizing a decentralized ledger called a blockchain to record transactions.

Introduced in 2008, Bitcoin allows users to send and receive funds directly to each other, facilitated by a network of computers that validate and record all transactions on the block chain. This process, known as mining, involves solving complex mathematical problems, and in return, minors are rewarded with new Bitcoin's, introducing new coins into circulation.

Many believe Bitcoin's revolutionary appeal lies in the ability to offer a secure, transparent and borderless method of financial exchange, challenging traditional banking and financial institutions by providing an alternative form of currency and asset ownership that is not subject to government control or inflation.

Energy Outperforms

According to Schwab's stock sector outlook, Energy is viewed as outperform while Information Technology has dropped to last place.[2] There are several catalysts that are set to push oil to $100.[3]

1First Trust – Three on Thursday, 03/07/24

2 Himhwab.com 03.22.24

3 Rogue economics.com 03.12.24

Continued: Energy Outperforms

1. On March 31, 2022 the Biden administration announced it was selling down the Strategic Petroleum Reserve (SPR). This was done in order to lower fuel prices in the US. The US set up its SPR after the 1973 – 74 Middle East Oil embargo and resulting oil spikes. It was a matter of foreign policy and national energy security. The SPR is made up of underground salt caverns along the coastline of Texas and parts of Louisiana. When Pres. Biden took office in 2021, the SPR held 638 million barrels. In the wake of Russia's invasion of Ukraine, oil prices spiked and Biden announced the most aggressive SPR drawdown in US history. He drew down 291 million barrels from the SPR during the period that followed. Now stands as it at its lowest level in 40 years.

2. In the US, higher interest rates from the Federal Reserve are not doing much damage to the economy overall. The unemployment rate is hovering near historic lows and GDP growth remains solid at 3.2% last quarter.

3. Geopolitical tensions – in the Middle East, The Red Sea is a king link to the Suez Canal. Disruptions to all distribution tankers in the Red Sea is an important piece of the energy puzzle since 10% of the worlds all passes through that canal. US and Europe sanctions banning Russian energy products, including oil, will not be going away anytime soon. This means less supply to the global market, which means higher prices.

4. There are recent developments with Organization of the Petroleum Exporting Countries (OPEC). They have just announced that production cuts due to expire the end of March will now be extended to the second quarter. Even more production cuts could be announced at OPEC's Joint Ministerial Monitoring Committee meeting on April 3rd.

All this presents a political Catch-22 for Biden in the White House, which is promised to replenish the reserves but has not been aggressive about doing so. That is because they do not want all prices to rise into an election year. And that could definitely happen if the SPR becomes a source of demand for oil. In addition, the summer travel season is looming.[3]

If you own oil or energy stocks all of this should bode well for those positions. If you do not, we would be happy to discuss the implications further with you.

"Vision without action is just a dream, action without vision just passes the time, vision with action can change the world."

~Nelson Mandela

US Energy Dominance

* No mater how you feel about President Biden's energy policy, the fact is that the U.S. is producing record levels of oil.
* Today, U.S. oil production stands at over 13.2 million barrels per day. That means the U.S. is the world's top oil producer, ahead of Saudi Arabia and Russia.
* But President Biden is not touting high U.S. oil production.
* That is because the White House is prioritizing the energy transition to renewable and low or non-carbon emission energy sources.
* The Inflation Reduction Act of 2022 provided subsidies and tax incentives to solar, wind, and clean energy technologies.
* But for it to pass, there was a catch. The White House had to agree to periodic oil and gas lease sales and drilling to get Republican support.
* As part of that, the White House greenlighted an $8 billion Willow oil drilling project in Alaska. Oil and gas giant ConocoPhillips is developing it.
* The project will increase U.S. crude oil reserves by up to 600 million barrels. And it will produce 160,000-180,000 barrels a day.
* And now, there is another set of oil lease projects looming. The White House just agreed to three oil and gas lease sales in the Guld of Mexico over the next five years.
* These lease sales give companies the chance to bid for the rights to drill for oil and gas offshore. The most recent sale, which happened in December, auctioned off the rights on 1.7 million acres. Twenty-six companies submitted bids.
* All of this means that things are lining up for boom times in U.S. energy markets. The oil companies know this, which is setting off an acquisition frenzy.
* ExxonMobil is buying Pioneer for $59 billion. If you will recall, we profited from Pioneer on that news this past October.
* Chevron is acquiring Hess for $53 billion. And Diamondback Energy is scooping up Endeavor Energy Resources for $26 billion. Those are just a few of the deals announced in recent months.

Tax planning with Qualified Charitable Distributions

GIVING WITH GREATER BENEFITS

Are you 70 ½ or older and do you have an IRA? Do you have charitable intentions for your current or future required distributions? Consider the use of a qualified charitable distribution (QCD).

With QCDs, an IRA owner or beneficiary over age 70 1/2 can donate up to $105,000 directly from an IRA to a charity without getting taxed on the distribution. A QCD can be used to satisfy part or all of your required minimum distribution (RMD) up to the QCD limit of $105,000.

Donating IRA funds directly to qualified charities allows the IRA owner or beneficiary to avoid taking possession of the funds and the tax bill that comes with it. Another benefit of the QCD is potentially reducing taxation of other sources of income, such as Social Security and the Medicare net investment income tax, while also potentially reducing Medicare Part B and D premiums.

HOW IT WORKS

The QCD must be paid directly to the charity, which must be a qualified 501(c)(3) institution eligible to receive tax-deductible contributions. A QCD cannot be made to a private foundation, donor advised fund or supporting organization (as described in IRC 509(a)(3)). However, SECURE 2.0 Act of 2022 allows a QCD to be directed to a split interest entity such as a charitable gift annuity or charitable remainder trust provided several conditions are met (not discussed here).

The charitable entity, as the recipient of the QCD, must receive the donation by December 31 in order to ensure tax reporting for the proper year.

QCD AND THE SECURE ACT – SPECIAL CONSIDERATION

The SECURE Act, passed in late 2019, repealed age restrictions on deductible IRA contributions for individuals over age 70 1/2. With the removal of the age cap on IRA contributions, an individual over 70 1/2 who was required to take an RMD could now make a tax deductible IRA contribution (if eligible) in addition to a QCD to satisfy the year's RMD. To prevent this "double dipping," legislators included a provision in the SECURE Act that requires individuals who make both post-70.5 deductible IRA contributions and QCDs to include in their taxable income the amount of the QCD up to the total value of the deductible contribution.

Why are QCDs important?

Without this special rule, taking a distribution from your IRA and donating the proceeds to a charity would be a bit more cumbersome, and possibly more expensive. You would need to request a distribution from the IRA, and then make the contribution to the charity. You would receive a corresponding income tax deduction for the charitable contribution, if you choose to itemize. But the additional tax from the distribution may be more that the charitable deduction due to the limits that apply to charitable contributions under Internal Revenue Code Section 170. QCDs avoid all this, by providing an exclusion from income for the amount paid directly from your IRA to the charity – you do not report the IRA distribution in your gross income, and you do not take a deduction for the QCD. The exclusion from gross income for QCDs also provides a tax-effective way for taxpayers who do not itemize deductions to make charitable contributions.

Stock Index Performance

DOW JONES

YTD	2023	5yr
6.14%	16.18%	11.48%

S&P 500

YTD	2023	5yr
10.55%	26.26%	15.17%

NASDAQ 100

YTD	2023	5yr
8.72%	55.13%	21.06%

Source: Bloomberg. Returns are total returns. 5-yr. return is an average annual. One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 03/28/24. An index cannot be purchased directly by investors. Past performance is no guarantee of future results.

Bond Index Performance

U.S. Treasury: Intermediate

YTD	2023	5yr
-0.36%	4.28%	0.61%

U.S. Corporate High Yield

YTD	2023	5yr
1.47%	13.45%	4.25%

Municipal Bond: Long Bond (22+)

YTD	2023	5yr
-0.75%	13.45%	4.25%

Source: Bloomberg Barclays. Returns are total returns. 5-yr. return is an average annual. One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 03/28/24. An index cannot be purchased directly by investors. Past performance is no guarantee of future results.

"The life given to us by nature is short; but the memory of a life well-spent is eternal."

~Marcus Tullius Cicero

FDIC-INSURED PREDICTABLE INCOME

3 MONTH CD	6 MONTH CD	9MONTH CD	1YEAR CD
5.40%	5.25%	5.20%	5.10%

Annual Percentage yields (APYs) as of **03/27/2024**. Rates are subject to change and availability. Minimum quantity may apply.

ABOUT FDIC INSURANCE

Currently, the FDIC limits the insured amount (including principal and interest) for all deposits held in the same capacity to $250,000 per depositor, per insured depository institution and $250,000 for certain retirement accounts. The FDIC has permanently increased insurance coverage to $250,000 for deposits held in all ownership categories, including single accounts, joint accounts and trust accounts. Therefore, excess holdings may not be insured. IRAs and certain other retirement accounts will maintain the $250,00 insurance coverage.

ABOUT LIQUIDITY

Funds may be withdrawn until the maturity date or redemption date. However, the brokered CDs are negotiable, which means that, although not obligated to do so, Raymond James and other broker/dealers presently maintain an active secondary market at current interest rates. Market value will fluctuate and, if the CD is cashed out prior to maturity, the proceeds may be more or less than the original purchase price. Holding CDs until term assures the holder of par value redemption. CDs are redeemable at par upon the death of the beneficial holder. For a detailed overview of these and other risks, refer to the Certificate of Deposit Disclosure Statement at raymondjames.com/liquid.htm. Additional information is also available on the SEC Certificates of Deposit website at investor.gov/introduction-investing/investing-basics/investment-products/certificates-deposit-cds.

Please contact your financial advisor for complete information about brokered CDs, including charges and expenses.

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