

Summer 2024

Labor Day can mean different things to different people. For some, it's an indication that the hot days of summer are drawing to a close. Others view it as the perfect occasion to host a BBQ with friends and family as they enjoy a day off. At its core, Labor Day is a celebration of the people whose day-to-day efforts have helped build this great country. The first Labor Day was celebrated on September 5, 1882, in New York City. Some say the holiday was founded by Peter J. McGuire, co-founder of the American Federation of Labor. Others suggest it was proposed by the similarly surnamed Matthew Maguire, a machinist serving as secretary of the Central Labor Union at the time. Two years later, Labor Day was moved to the first Monday of September by the NY Central Labor Union. In 1894, President Cleveland officially declared Labor Day a national holiday. However you choose to celebrate Labor Day, we hope you have a wonderful, relaxing time.

Let's take a look at the numbers.

<b>Major Stock Indexes</b>	(As of 7/31/24)
Dow Jones Industrials	+ 9.52 %
S&P 500 Index	+ 16.70 %
NASDAQ Composite	+ 17.71 %
Russell 2000	+ 12.07 %
MSCI EAFE Index	+ 8.86 %
MSCI Emerging Markets	+ 8.08 %
<b>Major Bond Indexes &amp; Rates</b>	(As of 7/31/24)
Bloomberg U.S. Aggregate Bond	+ 1.61 %
Bloomberg 1-5 Yr Government Index	+ 2.50 %
Fed Funds Rate	5.25 – 5.50 %
30-year fixed mortgage	6.73 %

**Source: The Wall Street Journal and Barron's**

\*Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

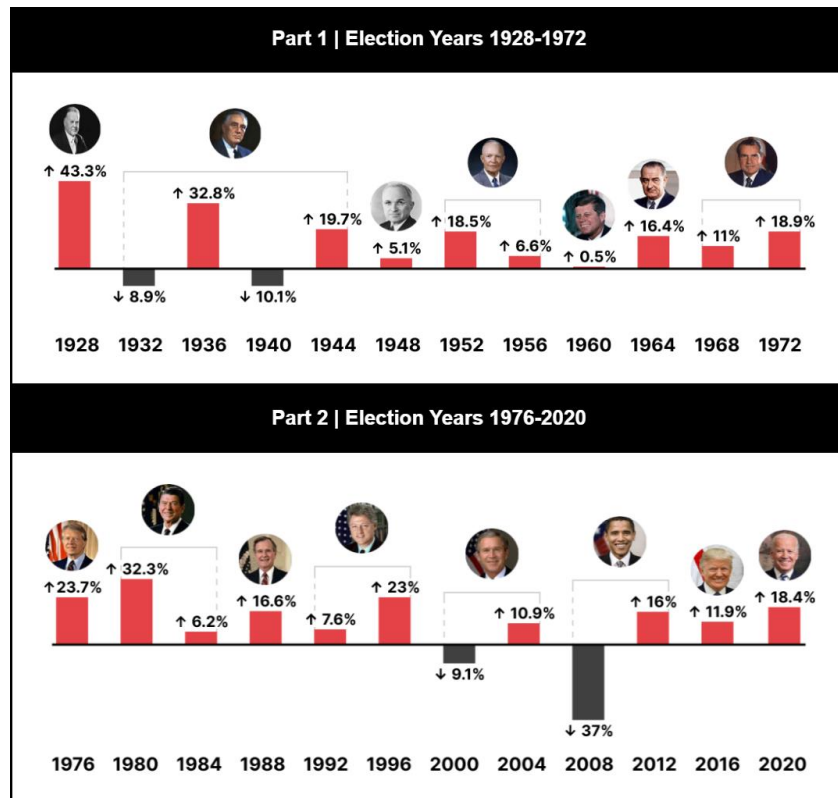
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# FINANCIAL AND INVESTMENT PLANNING

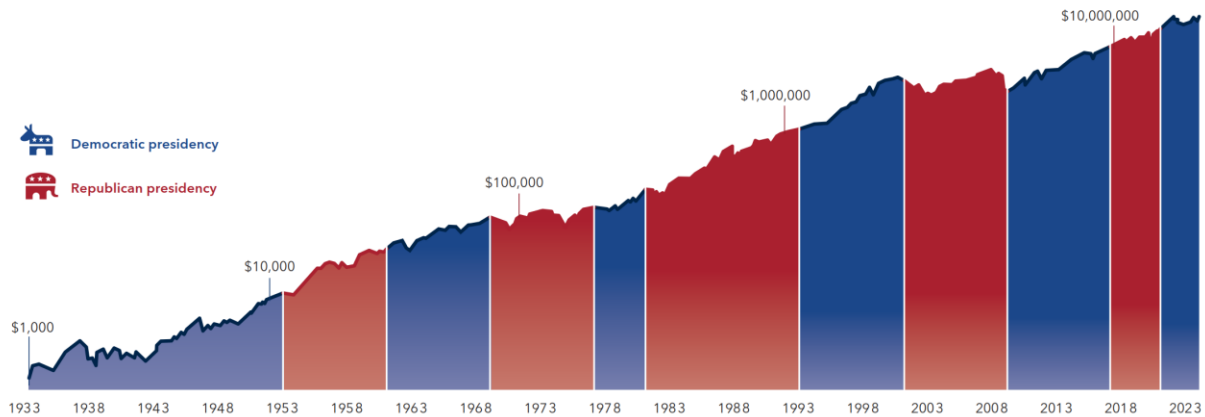
Inflation. Interest rates. Elections. Yen “Carry Trade”. Geopolitics. A lot is on the plate in 2024. You’ve seen the headlines. After hitting new highs last month, markets dropped dramatically, erasing months of gains. It may feel like the sky is falling. Let’s take a step back and take a look at what’s going on. What’s behind the market drop? A couple of major factors fueled the sudden selloff. For one, weaker-than-expected economic data that sparked recession fears. July’s soft jobs report triggered a recession indicator that caused U.S. stocks to sell off in fear. While the U.S. is in not a recession now, there is weakening in economic data.

How are you feeling about this year’s elections? If the thought of it makes your heart beat faster—you’re not alone. Most United States residents across party lines experience major stress around presidential elections. And recently, that stress has skyrocketed. In 2016, about 1 in 2 people said they were stressed out and anxious about the presidential election. And by 2020, more than 2 in 3 people were feeling election stress. Why? Political hostilities and increasing divides on party lines are partly to blame. So is the uncertainty of it all. It can be overwhelming and *really* exhausting not knowing how an election will shake out or if things will go the way we want. That uncertainty can invite worst-case thinking that stokes our deepest fears. And, unfortunately, all of that isn’t limited to who wins the White House. An election year can raise real concerns about market trends and our finances. In fact, about half of us are worried about how the 2024 elections will affect our portfolios. Are those fears valid? Does a presidential election year cause market instability? And is that instability based on a Democratic or Republican win? Here are a handful of facts about the markets in and around presidential election years. Over the last century, we’ve had 24 presidential elections. In 82% of those elections, the stock market has seen positive returns. That means only 18% have had negative results. The graphs below show the average stock market returns for each of the 24 different presidential years over the last century.



Notably, positive returns tend to occur regardless of party affiliation—and it does matter who controls Congress. That’s because the markets don’t typically like one party to sweep the Presidency and Congress, with either Republicans or Democrats controlling it all. That tends to cause short-term volatility. Instead, the markets usually prefer checks and balances and the stability of divided government. Political passions and parties aside, the U.S. economy has grown over the last century, regardless of whether a Republican or Democrat is sitting in the White House. That’s meant trillions in economic growth, making the U.S. economy the largest in the world—despite party affiliations and political divides.

## Growth of a hypothetical \$1,000 investment in S&P 500 Index



SOURCES: Capital Group, RIMES, Standard & Poor's. Chart shows the growth of a hypothetical \$1K investment made on March 4, 1933 (the date of Franklin D. Roosevelt's first inauguration) through December 31, 2023. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Shown on a logarithmic scale. Past results are not predictive of results in future periods.

Today's financial markets are global in nature as investors seek the best opportunities throughout the entire world. Investing can often be a dual process that involves both borrowing and investing simultaneously. And, that is the origin behind the surge in 'carry trade' headlines that have recently sparked dramatic swings in various global markets—from currencies to equity markets. A carry trade involves borrowing money at a low interest rate and using those funds to invest in assets that offer a higher potential return. Recently, the yen 'carry trade' has grown in popularity due to Japan's seemingly endless near zero interest rate environment.

Here are the dynamics: Investors borrow yen at near zero interest rates (since the end of 2022, the U.S. average fed funds rate has been 5.3% versus the Bank of Japan rate that has averaged -0.05%). Investors typically use the borrowed funds to purchase higher-yielding assets, such as emerging market bonds, US technology stocks, or Japanese equities. This strategy is inherently risky due to the potential volatility of these investments. However, recent performance has been favorable, with NASDAQ and Japanese stocks surging 57% and 38% respectively since late 2022. It's important to note that had these investments declined, the trade would have been unprofitable. Currency fluctuations can significantly impact carry trade profitability. Without hedging, a strengthening funding currency increases loan repayment costs, while a weakening currency reduces them. For instance, the Japanese yen depreciated nearly 23% against other currencies since late 2022, substantially lowering repayment burdens for yen-borrowers. Combined with low borrowing costs and soaring asset prices, this created ideal conditions for the yen carry trade, attracting substantial investment flows. The carry trade faced a sudden reversal due to a series of unexpected events. The Bank of Japan's surprise interest rate hike and subsequent hawkish stance caused the yen to rapidly appreciate. This increase in borrowing costs, combined with a stronger yen, eroded the profitability of the carry trade. Notably, Japan became the only major central bank raising rates while others considered cuts, further exacerbating the yen's strength. In addition, the U.S. economy showed signs of weakness, prompting expectations of aggressive Federal Reserve rate cuts. This, combined with the Bank of Japan's surprising hawkish stance, led to a sharp appreciation of the yen and a decline in risky assets. As investors rushed to unwind their carry trade positions by selling off stocks and buying yen, a vicious feedback loop ensued, amplifying market volatility and deepening the sell-off. This rapid liquidation of assets caused significant market turmoil, with the VIX index reaching extreme levels. To quell investor fears and stabilize the yen, a Bank of Japan official indicated a potential slowdown in interest rate hikes, providing some temporary relief to the market.

Markets are always waiting for the next opportunity to melt down. That's part and parcel of being an investor. There will always be something happening that can cause anxiety, fear, and the knee-jerk desire to sell. But panic selling in response to a market stumble is the wrong move. Selling and sitting on the sidelines typically means missing out on the best market days as investors often sell the dip and miss the big turnaround. Though markets bounced back quickly, it's possible the volatility and selling pressure will continue. It's not uncommon for investments to experience a selloff after reaching historic highs. "New all-time highs have typically led to further all-time highs," states Naveen Malwal, institutional portfolio manager with Strategic Advisers LLC. "That's because generally, stocks have made new all-time highs when the economy and earnings were supportive for good growth. And those trends have often lasted a long time." We're watching closely and monitoring the data, including possible Federal Reserve decisions that could move markets.

- Past performance is not a guarantee of future results. Individuals cannot invest in an index directly.
- The Dow Jones Industrial Average (DJIA), commonly known as “The Dow”, is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.
- The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material accurate or complete.
- The S&P 500 is an unmanaged index of 500 widely held stocks that’s generally considered representative of the U.S. stock market.
- The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market and includes over 3,000 companies.
- Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Bonds are subject to credit and interest rate risk. Timely payments of interest and principal payments are based on the financial condition of the issuer. Yield and market value will fluctuate with changes in market conditions. There is an inverse relationship between interest movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Diversification does not insure a profit or a guarantee against a loss. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Please note that international investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

## PERSONAL

The Fisher family boarded the plane to Florida in June. Volleyball season was finally coming to an end with a trip to the AAU Junior National Volleyball Championship in Orlando. Kora and her teammates were giddy on the plane. It was a four-day tournament played at the convention center with 254 courts. The 13-year-old girls from Colorado (Team Juggernaut) were about to find out how they stack up versus teams from around the country. They came out swinging against two of the top teams, but ended up losing a close match to each of them. By the fourth day, the team was seeded and ready for bracket play. Everything clicked from the opening whistle. Team Juggernaut didn’t drop a set and won the championship in the Sapphire bracket in the Premier division!



After returning home, family and friends from the Midwest visited Evergreen. On a picturesque Tuesday morning, Angie, Macy and the rest of the crew summited the 14,066 foot-peak of Mt Bierstadt. It was Macy’s second time summiting Mt. Bierstadt.



With the indoor volleyball season over, Macy (12) and Kora (13) thought it would be fun to play together. The sisters signed up to play a two-on-two sand volleyball tournament against 14-year-olds. They had never played sand volleyball competitively, but the sisters had a blast playing together and held their own against the older girls. The following week, Kora attended a multi-day volleyball camp at the University of Wisconsin in Madison (Angie's alma mater). She stayed in the dorms, ate in the cafeteria, made new friends, and received top notch instruction from the coaching staff and former professional players. Kora was able to meet most of the current Wisconsin women's team, including their four All-Americans. She was on cloud nine all week!



One of the most formative experiences in my (Garry's) life was the immigration route from the then Soviet Union to the United States. Looking back now, a two-month layover in Europe while the legal entry paperwork got processed, was a true blessing in disguise. My parents and I spent the majority of the time in Italy. And, despite living on a near-zero budget, we managed to travel the country built by ancient Romans. While my parents put on a good front, I am sure they stressed over the arduous process of uprooting our family to an unknown place, with a foreign language and a different culture. What I remember is an abundance of food on grocery store shelves, eating gelato in front of the Duomo Cathedral in Florence, strolling St. Mark's Square in Venice, and discovering arcade games in Ladispoli. Perhaps this was the genesis for my love of travel.

Emily and I share this passion for seeing what's beyond our front door and are working on turning Ava and Elle into travel enthusiasts. This June, a cross-country road trip took our family from seeing the Teddy Roosevelt's inaugural historical site in Buffalo, and the charging waters of Niagara Falls, to catching a Toronto Blue Jays home game, and boating by Toronto Island where Babe Ruth hit his first professional home run, from experiencing the thrills of Formula 1 racing in Montreal, and embracing the French vibe of Quebec City, to exploring Lake George by

kayak and by s'mores in upstate New York, from being succumbed by the size and grandeur of New York City, to spending quality time with clients with very big hearts and sweet souls in Michigan and Kansas, and reminiscing with friends (of 35 plus years) in Chicago, from stopping off to see our favorite family (Kris, Angie, Kora and Macy), to having lunch at Doc Holliday's Saloon in Glenwood Springs, CO, and taking in the beauty of Arches National Park near Moab, UT. Ava and Elle not only proved to be great co-pilots on the 5,000-mile trip, they really soaked up the amazing diversity the U.S. and Canada have to offer.

Thank you for your trust, confidence and friendship.

**"Perhaps you will forget tomorrow the kind words you say today, but the recipient may cherish them over a lifetime."**

~ Dale Carnegie



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