MarketWise

WHAT JUST HAPPENED? FIRST QUARTER 2024

By David J Brunswick III

Market Overview

As we look back on the first quarter of 2024, it's clear that the bull market was not deterred by the prospect of interest rates staying higher for longer. The S&P 500 saw impressive returns, gaining over 10% in the first quarter and nearly 30% over the last 12 months. Meanwhile, the tech-heavy NASDAQ index has gained 9.11% for the quarter and 34.02% over the last 12 months. The Dow has gained 5.62% and 19.63% in the same time periods, respectively. **(1-4)**

INDEX	YTD	12 MO.
S&P 500	+10.16%	+27.86%
Dow Jones	+5.62%	+19.63%
NASDAQ	+9.11%	+34.02%
Russell 2000	+4.81%	+17.87%

As of Market Close 3/31/2024 Source: Yahoo Finance Charts

Investors have been navigating a potential scenario where inflation has been tamed, the economy is slowing but remains in growth mode, and unemployment rates are expected to stay muted at under four percent. The Federal Reserve has been steadfast in its policy, remaining data-dependent in their projections and remaining patient as to the timing of imminent rate cuts. **(1)**

The bond market's performance was dented by the prospect of the Fed putting off rate cuts until the middle of the year. The US Treasury yield for 10-year bonds rose 0.33% to 4.20%, resulting in the Morningstar Core Bond index ending the quarter slightly negative. **(5)**

As we move into the second quarter of 2024, the outlook for the stock and bond markets remains positive. The economy has not only avoided recession, but it's been stronger than expected. Meanwhile, inflation has again turned somewhat sticky. That means Fed rate cuts have been pushed out to at least June, which, long-time readers may recall, we have been projecting since September of 2022.

Featured News

AI Boom

The first quarter of 2024 witnessed a significant surge in investments and interest in Artificial

Intelligence (AI), driving global stock markets to their best performance in five years. This AI boom has been characterized by both opportunities and challenges for businesses across sectors. While AI-savvy enterprises surged ahead, leveraging advanced technologies to drive innovation and efficiency, others found themselves grappling with the implications of technological disruption. AI was a pleasant surprise for those who invested early, with significant gains swelling many investor portfolios. **(1, 6, 7)**

Federal Reserve Policy Decisions

The Fed has maintained the target range for the federal funds rate at 5.25 to 5.5 percent since its July 2023 meeting and signaled that rate cuts could come in 2024. This decision is based on various economic indicators and the Fed's commitment to maintaining economic stability. The Committee views the policy rate as likely at its peak for this tightening cycle, which began in early 2022. The Federal Reserve has also continued to reduce its holdings of Treasury and agency mortgage-backed securities. As labor market tightness has eased and progress on inflation has continued, the risks to achieving the Committee's employment and inflation goals have been moving into better balance. **(8)**

Unemployment Rates Remain Low

Unemployment, currently at 3.8%, remained near multi-decade lows. This is a positive sign for the economy and indicates that the labor market remains strong. From February 2023 to February 2024, unemployment rates increased in 28 states, decreased in 3 states, and changed little in 19 states and the District of Columbia. Rhode Island had the largest over-the-year unemployment rate increase (+1.1 percentage points) while Massachusetts had the largest over-the-year decrease (−0.7 percentage points). On an annual-average basis, the forecasters expect the unemployment rate to average 3.9 percent in 2024, marking a downward revision from the previous estimate of 4.1 percent. **(9, 10)**

Inflation Below Threshold

Consumer price index inflation fell below the 3% threshold in the first quarter of 2024. This is a key indicator that the Fed's policies are effectively managing inflation. The annual inflation rate for the United States was 3.2% for the 12 months ending February, compared to the previous rate of 3.1%, according to U.S. Labor Department data published on March 12, 2024. The next inflation update is scheduled for release on April 10 at 8:30 a.m. ET, providing information on the inflation rate for the 12 months ending March 2024. **(8)**

Looking Ahead

Rolling into the second quarter of the year, investors should keep an eye on the Federal Reserve's policy decisions, inflation rates, and the performance of the technology and energy sectors. Diversification across sectors and asset classes remains a key strategy for mitigating risk and capturing growth opportunities.

High stock valuations and overdependence on leading stocks could pose a risk, as they might not be able to deliver the expected returns. Uncertainty about the timing and magnitude of Fed rate cuts could create market volatility. With the economy running at full capacity and

household savings diminishing, there's a risk of consumer exhaustion. Persistent inflation could impact consumer spending and corporate profits. The upcoming presidential election could introduce uncertainty and volatility into the market. The potential widening out of existing military conflicts and other geopolitical risks could impact the market. There's a risk of a sharper economic slowdown later in 2024, as the lagged impact of previous interest rate rises has yet to be fully felt. These risks highlight the importance of maintaining a diversified portfolio and staying informed about market trends and economic indicators. **(11, 12, 13)**

In conclusion, the first quarter of 2024 has set a strong foundation for the rest of the year. With the economy showing signs of strength and the market responding positively, we are optimistic and bullish about the potential for continued growth in the coming quarters.

GENERATIONAL PLANNING STRATEGIES

BY DAVE BRUNSWICK, JR.

BEAT THE TAX AND RECEIVE LIFETIME INCOME?

Mr. Jones is 75 years old and must take a taxable distribution from his IRA of almost $60,000 this year. He and his wife are in a 22% Federal tax bracket. He lives in NC, which has a 4.5% income tax.

Total tax on this "required" distribution will be a whopping $15,900!

He can avoid taxes on $53,000 of this distribution, which saves $14,045!

How?

If Mr. Jones does a Qualified Charitable Distribution (QCD) into a Charitable Gift Annuity (CGA) for he and his 74-year-old wife, they will receive $3233* per year for as long as one of them is alive. That is a return of 6.1% per year.* He will not get a tax deduction, but will not have to pay taxes on $53,000 of the RMD. A portion of his annual payout may be taxable.

And when the 2nd spouse passes, whatever is left in the Gift Annuity will be paid in a lump sum to his favorite charity!

- The transfer is one-time only, up to $53,000 in a single year. So, a donor can transfer amounts less than $53,000 in a year, then add more in the same year. But no additional transfers are available in future years even if the balance is less than $53,000.
- This $53,000 counts toward the overall $105,000 QCD maximum annual limit. The Secure Act 2.0 increased the QCD maximum to $105,000 for 2024.
- Donor must be 70.5 years old or older**.

If you would like to explore how this strategy might benefit you and your favorite charity, please contact us. We would love to help!

* The Boston Foundation 2/29/2024

** Fidelity Charitable (www.fidelitycharitable.org/articles/secure-act-2-0-retirement-provisions.html)

Disclosures

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References

What Just Happened?

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13) **Russell Investments (**2024 Global Market Outlook – Q2 Update | Russell Investments**)**

WHO WE ARE

Kingdom Financial Services is a full-service, family owned and operated, Christian rooted financial firm located in Wake Forest, North Carolina. We are associated with G.A. Repple & Company, which is a prominent Christian owned Broker/Dealer in the Southeast. We are trained Planned Giving Consultants with expertise in the areas of investment and financial insurance products and services.



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