ASSET PLANNING, INC.
Quarterly Newsletter

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Data Breach By Sandy

The words send shivers down my spine. In the past few years, those words have come from some of the largest companies, affecting healthcare records, our names, DOB, phone numbers, email addresses, addresses, etc. I recently checked the online balance of one of my credit cards and noticed fraudulent charges to the Dodgers, Rockies and other sports related tickets. I logged on to my Ticketmaster account and that was the credit card I had saved there. I deleted the card and the card company reversed the charges (over 1,000) that were charged in two days. Days later, it was in the news that Ticketmaster had a data breach but Ticketmaster has still not reached out to me. I will not store my credit card information with any online business now. I will also check my credit cards online more frequently to look for fraud.

There are so many fraudulent and misleading emails being sent out to the public. If you have any questions about something you receive, reach out to us. We will vet it for you and tell you if it is legitimate or not. Never feel uncertain about something- let us read it if you are not sure with information being sent to you. You can also put a secret password on file with us so we will safeguard your account from any activity unless given the password.

Market Review By Carol

While the S&P 500 hit new highs in the second quarter, the month of April was decidedly negative for markets as fears of no rate cuts in 2024 (or even a rate hike) pressured stocks. The catalyst for these concerns was the March Consumer Price Index (CPI), which rose 3.5% year over year, higher than estimates. That hotter-than-expected reading reversed several months of declines in CPI and ignited fears that inflation could be “sticky” and, if so, delay expected Fed rate cuts. Those higher rate concerns were then compounded by comments by New York Fed President John Williams, who stated rate hikes (which investors assumed were over) were possible if inflation showed signs of re-accelerating.

In May, Fed Chair Powell shut the door on the possibility of rate hikes, stating that if the Fed was concerned about inflation, it would likely just keep interest rates at current levels for a longer period instead of raising them. That comment provided immediate relief for investors and both stocks and bonds rallied early in May as rate hike fears subsided.

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Benefits of Still Holding Bonds by Erin

Some clients have expressed frustration over their bond's performance since the Fed started increasing rates in March 2022. While it is easy to be tempted to ditch bonds for more stocks, there are several compelling reasons for maintaining bond holdings. Firstly, bonds serve as a crucial diversification tool within an investment portfolio, offering stability and a hedge against volatility in equity markets. They provide predictable income streams through coupon payments and are generally less risky compared to stocks. Additionally, in times of economic uncertainty or market downturns, bonds often perform well as investors seek safer assets, thereby preserving capital. Furthermore, when the central banks around the world decrease interest rates, bonds can offer opportunities for capital appreciation as bond prices move inversely to interest rates. For instance, if an investor holds a $20,000 bond with a 5% coupon rate, and interest rates decrease by 1%, the bond's value could increase by approximately 10% or $2,000, showcasing the potential for gains in a declining rate environment. Overall, maintaining a balanced allocation that includes bonds can help investors mitigate risk and achieve long-term financial goals effectively.

The following are the market returns as of June 30, 2024, YTD and one year. Please note, each client’s portfolio is individually constructed, and the benchmarks are presented as a comparison tool.

Benchmarks:	YTD June 2024
60% Equity/40% Fixed	4.12%
50% Equity/50% Fixed	3.71%
40% Equity/60% Fixed	1.67%
US Agg Bond	-2.20%
S&P	14.48%
DOW	3.79%
REIT Index (real estate)	-5.21%
iShares (EFA)Foreign	3.95%
Benchmarks:	**June 2023- June 2024**
60% Equity/40% Fixed	10.28%
50% Equity/50% Fixed	9.51%
40% Equity/60% Fixed	5.72%

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Market Review By Carol Continued...

The upward momentum continued in June thanks to more positive news on inflation, additional reassuring commentary from the Fed and strong AI-linked tech earnings. First, the May CPI (released in mid-June) declined to 3.3% year over year, the lowest level since February. Core CPI, which excludes food and energy prices, dropped to the lowest level since April 2021, further confirming ongoing disinflation. Then, at the June FOMC meeting, Fed Chair Powell reassured markets two rate cuts are entirely possible in 2024, reinforcing market expectations for a September rate cut.

In sum, markets impressively rebounded from April declines due to increased rate cut expectations, falling Treasury yields and continued robust earnings growth from AI-linked tech companies.

Office Update by Melani

If you stop by to visit us, you may notice that things look a little different around here. We are currently negotiating a remodeling project for our office with the building management and signing a new 5 year lease. We will be working during the construction but in person appointments may be limited. We are still available for phone calls and Zoom appointments. For office drop offs and notary appointments please contact Melani. As soon as we have a better timeline of the project we will send out an update. Thank you for your understanding!

API Staff Highlights

Carol - On June 21st, Carol welcomed her 4th granddaughter Gracelyn Marie Johnson- 9lb 10oz 23.5 inches long

Melani- Melani's son Zach was named an USA All American Cheerleader

Tiarra-Tiarra's son Myles learned to ride a bike this year, just in time for summer

Erin- In July, Erin will be celebrating both her and her kid's birthdays in Cabo

Carol's newest grandaughter

Melani's son Zach with cheer mates

Market Outlook By Carol...

Stocks begin the third quarter of 2024 riding a wave of optimism and positive news as inflation is declining, the Fed may deliver the first rate cut in over four years this September, economic growth remains solid and substantial earnings growth from AI-linked tech companies has shown no signs of slowing down.

To that point, the market does face risks as we start the third quarter. Slowing economic growth, disappointment if the Fed does not cut rates in September, underwhelming Q2 earnings results (out in July), a rebound in inflation and geopolitical surprises (including the looming U.S. elections) are all potential negatives. And, given the high levels of investor optimism and current market valuations, any of those events could cause a pullback in markets similar to what was experienced in April.

While any of those risks (either by themselves or in combination with one another) could result in a drop in stocks or bond prices, the risk of slowing economic growth is the most substantial threat to this incredible 2024 rally. So far, the market has welcomed that moderation in growth because it has increased the chances of a September rate cut. However, if growth begins to slow more than expected and concerns about an economic contraction increase, that would be a new, material negative for markets. Because of that risk, we will be monitoring economic data very closely in the coming months.

More money is lost anticipating corrections than in the corrections themselves.
~Peter Lynch

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