

May 2, 2024

Good Afternoon,

Markets remain volatile as corporate earnings and economic data play tug-of-war with stock and bond prices. The result is negative returns for the month of April, the first down month of the year for stocks. Bond prices, too, have struggled and you will notice the results in your April monthly statement. (Yes, you should leave it unopened!) Investors now understand that the multiple Fed rate cuts that were expected at the beginning of this year are likely to be as few as one, if any. "Higher for longer" is the mantra.

The Federal Reserve kept interest rates unchanged on Wednesday, holding the fed funds rate at a 23-year high between 5.25% and 5.50% amid a "lack of further progress" bringing inflation back to its 2% target. And while introducing a tougher assessment on inflation, Fed Chair Jerome Powell left little doubt during a press conference about the Fed's most likely next move. It won't be another hike. But elevated interest rates create challenges for borrowers and, like inflation, weigh more heavily on those households with fewer financial resources. For investors, the question has long ceased to be about the level of rates but the direction of future changes.

For the first time ever, the US will spend more on interest payments than defense in 2024. The national deficit has grown to \$34 trillion, and with higher interest rates on the debt, interest payments represent a larger portion of the US budget. When you spend more than you take in, debt will eventually interfere with other spending items, like defense, Medicaid, education, etc. Correcting the problem would require increased income taxes or a reduction in government spending, and probably both. Highly unlikely in an election year.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your weekend,

Wade

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