



WEALTH & WELLNESS GROUP

INTEREST RATE PING PONG

Did You Know? Weather Forecasting

The first weather forecasts from the federal government came out in the 1870s. Back then, what's now the National Weather Service aimed mostly to alert people to storms along the "the northern lakes and the seacoast."

Research has shown that a five-day forecast today is generally as accurate as a 24-hour forecast in 1980.

Forecasters can usually forecast your next-day temp within about 2 to 3 degrees of accuracy. For example, if your forecast high is 60 today, that means the high will usually land between 57 and 63 degrees.

A 5-day forecast can accurately predict the weather approximately 90% of the time

A 7-day forecast can accurately predict the weather about 80% of the time

A 10-day, or longer, forecast is only right about half the time.

According to the National Hurricane Center, the avg 3-day track error of a tropical storm or hurricane in the 1980s was 400 miles. Today, it's 85 miles.

Top 3 cities with most unpredictable weather are:

1. Rapid City, South Dakota
2. Great Falls, Montana
3. Houghton, Michigan

Source: Weather.com



US Stocks turned sour in April and produced the first negative month of 2024. The Dow fell -5.0% while the S&P 500 and Nasdaq dropped -4.2% and -4.4% respectively. Lofty stock market valuations from the AI hype, sticky inflation that continues to hinder expectations for interest rate cuts, concerns about corporate earnings growth, and escalating tensions in the Middle East are some of the key reasons for the pullback.

We could also add in slowing economic growth and a recent disappointing jobs report. But all together it's a mish-mash of data that creates this ping-pong effect on if and when the Fed may lower interest rates and what impact it could have. Many see lower rates as a good sign for consumers and for tech giants to push the stock market higher. Others feel if its done too early or without the right foundation, it could rekindle inflation and cause future rate hikes rather than reductions, straining both consumers and corporations.

Turn on any news station and you can hear this debate take place. The issue is that the Fed has said that they are dependent on data to make any rate decision... and we keep getting conflicting data. Slowing economic growth and fewer jobs support a rate cut. But the Fed's preferred gauge for inflation clocked in at 3.4% in the 1st quarter, nearly double the 1.8% pace for the 4th quarter, suggesting rates may stay higher for longer.

It can look like a ping pong match that will never end. As soon as one side gets a leg up, the other side comes back, and the cycle repeats. But the reality is, the key to winning at ping pong is about 1) understanding ball spin, 2) good footwork, and 3) aiming for the corner angels of the table.

Similar strategies that we can apply to client portfolios. First, it seems unlikely that companies like Nvidia can spin out another 200% gain this year. The impact AI has had on corporate earnings and markets is nothing short of amazing. However, as investor appetite for even more growth increases, it's likely that expectations will eventually fall short.

While that's not a deal breaker on tech related investments over the long haul, it brings up our second key point: Take some gains from high-flying sectors and rotate into areas that can benefit from the current economic environment. For example, banks and credit card companies are on a solid footing right now because they are benefiting from the highest borrowing rates seen in a generation. And let's face it, consumer loan rates rarely go down as fast as they climb.

The third opportunity is in fixed income. In April, the 10-year Treasury note advanced nearly 50 basis points to 4.68%. The largest monthly jump since Sept. 2022. But it's a move that has since reverted back to 4.50% thanks to recent reports. While we don't feel like this justifies a Fed rate cut in June, it does signal a higher likelihood that rates may end the year lower. Using this angle, we can buy US treasuries with maturities of 1-2 years and not only reduce portfolio risk but also lock in the current higher rates for longer.

With all of this in mind, when it comes to ping-pong data and a lot of back and forth in markets, remember, it's not the size of the racket, but rather how you use it.

Trivia 1980's Special

- 1) Name the shuttle in the first fatal accident of a spacecraft in flight in 1986?
- 2) What is the name of the US volcano that erupted in 1980?
- 3) What sort of car is used as a time machine in Back to the Future?
- 4) Bonus: What was the highest grossing film of the 80s?



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Mother's Day Special

Mother's Day was established by Anna Reeves Jarvis after her own mother's passing in May 1905. The first celebration took place in West Virginia three years after her passing at Andrews Methodist Episcopal Church. In 1914, President Woodrow Wilson made it a national holiday to be celebrated each second Sunday in May. The white carnation became the official flower of the holiday as Jarvis compared that flower's shape and life cycle to a mother's love. "The carnation does not drop its petals, but hugs them to its heart as it dies, and so too, mothers hug their children to their hearts, their mother love never dying."

Mom Quotes

"If at first you don't succeed, try doing it the way your mom told you to do it from the start." *Anonymous*

"Life doesn't come with a manual. It comes with a mother." *Anonymous*

"Nothing is really lost until your mom can't find it." *Anonymous*

"The most expensive part of having kids is all the wine you have to drink." *Anonymous*

"You know your life has changed when... going to the grocery store by yourself is a vacation." *Anonymous*

"Cleaning with kids in the house is like brushing your teeth with Oreos." *Anonymous*

"I hate when I'm waiting for Mom to cook dinner... then I remember I am Mom." *Anonymous*

"You know you're a mom when you understand why Mama Bear's porridge was too cold." *Anonymous*

Mom Jokes

What did the tree tell her son before a big game? *I'm rooting for you.*

What did the digital clock say to its mother? *"Look, Ma! No hands!"*

What did the mommy spider say to the Baby spider? *You spend too much time on the web.*

What's the fastest land mammal? *A toddler who's been asked what's in their mouth.*

For Pet Moms

"Sometimes the smallest things take up the most room in your heart." *Winnie the Pooh*

"The littlest feet make the biggest footprints in our hearts." *Anonymous*

"Dogs have a way of finding the people who need them and filling an emptiness we didn't ever know we had." *Thom Jones*

Trivia Answers

- 1) Challenger
- 2) Mount St. Helen's
- 3) DeLorean
- 4) ET

Source: Rypitic.com