AMJ Financial Wealth Management
Weekly Market Commentary
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The Markets

The near future is more predictable than the distant future.

Last year, the St. Louis Federal Reserve explored the accuracy of recession forecasts. They found that short-term predictions about whether there would be a recession in the subsequent quarter were fairly accurate. However, projections for economic growth a year ahead were far less accurate. The researchers concluded, “Even though forecasts can help, we must live with significant uncertainty about future economic conditions.”

Investors experienced some of that uncertainty last week as economic data created confusion about the state of the economy. The Department of Labor released its preliminary revision of the employment report, which showed the number of jobs created from March 2023 to March 2024 was significantly lower than previously thought.

“The new estimates suggest monthly job growth of about 174,000, instead of the roughly 240,000 previously understood…At the end of the day, the revisions imply that the total number of jobs in the U.S. is just 0.5 [percent] smaller than previously thought,” reported Natalie Sherman of BBC News. She cautioned that the preliminary revision will be adjusted again and that, “Over the last four years, the final estimates of job growth have ended up higher than indicated in August.”

Other figures released last week weren’t particularly helpful. In August, manufacturing data was softer than expected. However, sales of existing homes rose in July as supply increased and interest rates fell, reported Seana Smith and Madison Mills of Yahoo! Finance.

The Economist also weighed in on the state of the U.S. economy last week. It asked whether America was already in a recession as some rules of thumb have suggested. It concluded:

“Recession rules are based on the premise that once news gets bad enough, it will worsen further. Historically, that has been a decent bet: unemployment shoots up quickly and then falls slowly; central banks tend to raise interest rates until something breaks. Yet today the Federal Reserve has room to ease and, given the unusual labor-market recovery, some bumpiness does not spell disaster. Although America’s gangbusters expansion is calming, a gradual slowdown is not a crash—no matter what the rules say.”

On Friday, investors were reassured by Federal Reserve Chair Jerome Powell who indicated he is confident “inflation is on a sustainable path back to 2 percent,” and “the time has come for policy to adjust.” Many market watchers interpreted that to mean a rate cut is ahead in September. Major U.S. stock indices finished the week higher and yields on most maturities of U.S. Treasuries moved lower.

Data as of 8/23/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.5%	18.1%	27.0%	8.0%	14.6%	10.9%
Dow Jones Global ex-U.S. Index	2.1	8.4	16.0	-0.9	5.2	2.0
10-year Treasury Note (yield only)	3.8	N/A	4.2	1.3	1.5	2.4
Gold (per ounce)	1.0	20.8	31.0	11.7	10.8	6.9
Bloomberg Commodity Index	1.0	-2.2	-8.6	1.2	4.9	-2.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE SKINNY ON SOCIAL SECURITY. Social Security was a source of income during retirement for 91 percent of current retirees who participated in the Employee Benefit Research Institute (EBRI)'s 2024 Retirement Confidence Survey. Sixty-two percent of participants reported that Social Security was a major source of income. However, both retired and working participants were concerned that significant changes may be ahead.

They're not wrong to be concerned. According to the most recent Trustees report, the trust fund that supports Social Security and Medicare will pay 100 percent of scheduled benefits until 2033. After that, benefits are expected to drop by about 21 percent.

So far, Congress has not been enthusiastic about addressing the issue because many of the solutions being considered are unpalatable to one group of voters or another. Various solutions are being considered, including:

- **Raising the official retirement age**. Currently, the full retirement age is 67 for anyone born after 1960. Since people are living longer and working longer, one idea under consideration is that full retirement age be pushed back to age 70 for Americans born after 1977, reported Mike Townsend of Schwab.
- **Changing the payroll tax that funds Social Security and Medicare**. Under the current system, payroll taxes of 12.4 percent fund retiree benefits. The tax is split between employers and employees. Working people pay 6.2 percent on earnings up to $168,600, and earnings above $168,600 are exempt. One proposal suggests that payroll tax also be assessed on earnings above $400,000, reported Peter Grieve of *Money*.
- **Investing the trust fund differently**. An alternative approach that is being considered is diversifying the Social Security trust fund. "Social Security funds are now 100 percent invested in U.S. Treasury bonds, which are very safe but offer a relatively low rate of return. One idea is to put some portion of Social Security taxes into a newly created sovereign wealth fund that would invest in stocks and have the potential to earn a higher rate of return," reported Townsend.

If you have concerns about the future of Social Security and would like to explore other sources of guaranteed retirement income, please get in touch.

Best regards,

Angela M. Bender

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

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