BIONDO PERSPECTIVES

FIRST QUARTER MARKET COMMENTARY

Joseph P. Biondo

As we close out the first quarter of 2024, we reflect on the steadfast progress of the previous months while setting our sights on the opportunities for the rest of the year. The S&P 500 led the way with a 10.6% increase in the first quarter. The Dow Jones Industrial Average also experienced gains, rising by 6.1% as traditional industries began to stabilize after a turbulent period. The Nasdaq Composite advanced by 9.3%, due to renewed investor confidence in technology and innovation-driven sectors. International markets showed a solid performance, with the MSCI/ACWI Index edging up by 4.8%, indicating a moderate recovery in global equities. Fixed income markets dropped slightly, with the Barclays Aggregate Bond Index down by -0.8%, as yields rose across the treasury curve.

The sector performance across various US equity benchmarks was notably positive, with broad gains across major sectors, punctuated by particularly strong performances in certain areas. The Technology sector continued to be among the top performers, up 12.7% in the first quarter, driven largely by significant gains in mega-cap tech companies like Nvidia Corp, which saw an 82% increase in its stock price. The Communications Services sector achieved a 15.8% increase, making it the highest performing sector in the quarter. After a tough fourth quarter of 2023, the Energy sector rebounded strongly with a 13.7% increase, in light of rising oil prices amid geopolitical tensions. Financials also showed a strong recovery, increasing by 12.4% in the quarter, continuing its positive trajectory with a 31.4% increase over the previous five months. Industrials performed well with an 11% increase, contributing to the broader market gains. Real estate was the only sector in the red, albeit slightly, with a -0.05% decrease, impacted by current high interest rates.

Though the potential for unexpected macroeconomic shifts could impact market performance, the overall market sentiment was optimistic, driven by strong corporate earnings, consumer spending, and a robust labor market. Many of the leading economic indicators reflect a complex landscape of recovering supply chains, evolving consumer behaviors, and ongoing geopolitical tensions. Despite these challenges, equity markets have shown impressive strength. **While progress is choppy, inflation continues its descent toward more stable levels, reflecting the success of monetary tightening policies implemented throughout the previous year.** Core inflation, which excludes volatile food and energy prices, has trended downwards, a positive sign that past inflationary pressures are being mitigated effectively. This decline is crucial as we observe softening in sectors like housing, where prices are beginning to stabilize, aiding in the reduction of overall inflation rates.

Although rate reductions by the Federal Reserve are generally anticipated, market expectations for immediate and substantial rate cuts may be overly optimistic, with a more gradual adjustment likely as inflation components remain sticky. The Federal Reserve's actions in the first quarter indicate a measured approach, with signals pointing towards maintaining current rates or minimal reductions if inflation does not continue its slowdown. This cautious stance seems to reflect an alignment with the broader economic indicators that suggest a gradual normalization of monetary policy.

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The central bank continues to emphasize its dual mandate of controlling inflation and maximizing employment, guiding its policy decisions. Employment levels are high, and consumer spending is resilient, indicating that the economy may avoid the much-feared hard landing.

The bond market's reaction to interest rate expectations suggests a mixed outlook for rate-sensitive sectors such as real estate and utilities, which may face headwinds if the anticipated rate cuts materialize later than expected. Long-term bond yields, while showing signs of stabilization, continue to reflect a market that is cautious and adjusting to structurally higher interest rates, with investors advised to maintain a balanced approach in their bond allocations.

Looking forward, our outlook for the second quarter remains guarded but optimistic. The underlying economic data indicates resilience, but investors should exercise caution and balance focused risk-taking with high-quality asset allocations. We are continuing to strategically focus on value stocks, which seem poised for a higher lift as the market broadens out amidst better than anticipated economic strength. Moreover, we continue to emphasize the importance of portfolio diversification. Given the potential for increased volatility, balancing asset allocations and incorporating defensive stocks can help mitigate risks and capitalize on emerging opportunities. For the S&P 500, consensus estimates forecast year over year earnings growth of approximately 3.4% for the first quarter 2024. These figures suggest a modest improvement in corporate profitability, as companies navigate through a volatile economic environment.

Several key catalysts are expected to shape the market landscape in the second quarter and beyond. The Fed's decisions on interest rates will remain a primary driver for market movements. Analysts are closely monitoring the Fed's approach to inflation, with current expectations leaning towards the first rate cut to occur in mid-2024, provided inflation continues to align with target levels. Recent escalations between Iran and Israel have heightened tensions in the Middle East, posing potential risks and volatility to global markets, especially in the energy sector. Historically, such tensions have led to spikes in oil prices, which can increase inflationary pressures globally and impact economic conditions in energy-dependent countries.

Innovations in generative AI and Quantum Computing, particularly in natural language processing and machine learning, continue to transform sectors like finance, healthcare, and consumer services. Potential breakthroughs are expected to impact cryptography, drug discovery, and complex system modeling.

In the coming months it will be vital to stay informed about changes in economic indicators and central bank policies. **The landscape is ripe with both challenges and opportunities, and navigating it will require a balanced and informed approach.** As always, our Firm stays the course and remains committed to monitoring the economic landscape and adjusting our strategies to align with emerging opportunities. We look forward to helping you achieve your financial goals, and thank you for your continued trust and partnership.

Please feel free to reach out to us with any questions or to schedule a portfolio review. We are here to assist you in every step of your investment journey.

Joseph P. Biondo
CEO, CIO & Portfolio Manager

Sources: Index and sector returns – Nasdaq, Bloomberg; Market outlook – Morningstar; Inflation, Interest rates – BlackRock; Earnings data – Nasdaq

Industry Recognition

Joseph P. Biondo, CEO, CIO and Portfolio Manager, has once again been named to Forbes' prestigious Best-in-State Wealth Advisors list.

"This recognition demonstrates our team's commitment to providing the personal attention that builds long-lasting relationships. We are truly grateful for the trust and confidence our clients place in us every day."

Congratulations on this well-deserved achievement!

The Forbes ranking Best-In-State Wealth Advisors, developed by SHOOK Research, was released on 4/3/24 and is based on an algorithm of qualitative criteria, gained through telephone, virtual and in-person due diligence interviews, and quantitative data (as of 6/30/23). Use of the ranking, once released, for marketing purposes has been licensed for a fee.

BIONDO TEAM NEWS

Welcome Ariel Kosco, Wealth Advisor!

We are excited to have Ariel Kosco join our team as a new Wealth Advisor. Her expertise and experience are a welcomed addition that enhances our firm's continued commitment to our clients' success.

She has over ten years of industry experience in the premier private banking sector and looks forward to continuing to serve the financial needs of our clients and local communities. Ariel graduated from County College of Morris with a degree in Fine Arts.

Ariel and her husband have two children and reside in Hackettstown, NJ. She enjoys reading and spends much of her free time with her son's sports activities.

What are Retirement Buckets?

It's a common misconception that you need one giant nest egg to supply all of your retirement income.

In reality, most people live off of a combination of income sources when they retire. These sources of income are often called "buckets." **Let's take an updated look at these different "buckets" and how they might fit into your current or future retirement plan:**

Bucket 1: Accounts that have not been taxed yet. One example is the tax deferred portion of a 401(k).

Bucket 2: Accounts that have already been taxed. One example is a Roth IRA.

Bucket 3: Accounts that have a combination of money and investments that have already been taxed and have not yet been taxed. One example is a taxable brokerage account.

Bucket 4: Other sources of income such as social security, pensions, and annuities.

What's important to consider with these buckets is how and when you're going to utilize each one to maximize the amount of income for yourself in retirement and wealth for your heirs (if wealth transfer is a concern of yours).

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The distribution strategy that you implement is likely going to involve all four buckets, and perhaps different amounts and at different times. This is one of the reasons having good coordination between a tax professional and your Wealth Advisor is so crucial. Timing can be vital here, particularly if your retirement results in a significant and temporary change in income.

Everyone has heard the adage, “it’s not what you earn, it's what you keep,” referring to after-tax earnings. **What you keep in retirement is going to depend on how much money you distribute from each one of these buckets, and when you take those distributions.**

Having in-depth conversations with your Wealth Advisor can help you to make informed decisions regarding distribution. Our financial planning software can model out different strategies and get fairly detailed with the potential tax impact. Combine this with information from your tax return, and you can put together a pretty good pro-forma plan for distributing retirement income for yourself, and transferring wealth to heirs, in the most tax-efficient way possible given the current information available. It’s important to remember that laws and personal circumstances change frequently, and plans should be reviewed and updated regularly.

If wealth transfer is a priority for you, determining which assets are most tax efficient to get to heirs during life, and at death, can provide a lot of value. Something as simple as reviewing beneficiaries to make sure each beneficiary is inheriting the most appropriate asset, given your priorities and goals, can go a long way.

Recent changes in the tax law have shifted a lot of the retirement income distribution strategies that were commonplace just a few years ago. For example, the new “10-year rule” that is applicable to many inherited IRA’s subjects beneficiaries to federal income tax much sooner than the prior “stretch IRA” rules that many were expecting to incorporate into their distribution plan. Now is a great time to schedule a meeting with your Wealth Advisor and go through your specific retirement income distribution and wealth transfer strategies.

Casey Pisano, CFP®, AIF®
Senior Wealth Advisor

BIONDO IN THE FIELD

To better serve our clients, we place a strong emphasis on remaining current on financial industry trends and regulations, as well as conducting our own research for investment opportunities. We would like to share some of the most recent conferences that Biondo staff members have attended.

Chief Compliance Officer and Information Security Officer **Nicole Dutkus** attended the 2024 Investment Advisor Compliance Conference in Washington, DC. The two-day session included presentations from professionals in the investment adviser industry, legal experts, SEC officials, and the IAA legal team, providing an overview of the ever-changing regulatory landscape.

Partner and Chief Operating Officer **Genny Cornell** attended the Orion Ascent Conference in San Diego, CA. The conference brought representatives from around the country to gain insights on practice management and cutting-edge fintech that bring value to the firm and client engagement processes.

Partner, Research Analyst and Portfolio Manager **Scott Goginsky** attended the TD Cowen/TD Securities conference in Boston, MA. The annual Health Care Conference hosted over 400 public and private companies across the healthcare spectrum for potential investors to deep dive into their latest technology, tools, therapeutics, and regulatory landscape.

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