Charles A. Going, CPA*
M. Scott Sebastien, CPA*
Donald E. Fisher, CPA*
Craig C. LeBouef, CPA, MBA/PFS, CFP®*
Darren J. Cart, CPA/PFS*
C. Matthew Ledoux, CPA/PFS*
Robert A. Roy, Jr., CPA/PFS*
Scott D. Hayes, CPA/PFS, MBA*
Amy B. Spellman, CPA/PFS*
Seth E. Dabney, CPA/PFS
Kaleb B. Andrepont, CPA/PFS

* Limited Liability Company

2811 South Union Street
Opelousas, LA 70570
Ph (337) 942-3041
Fax (337) 942-7112

1700 Kaliste Saloom Rd., Bldg 5
Lafayette, LA 70508
Ph (337) 981-5555
Fax (337) 984-7187

www.goingcpa.com

July 26, 2024

Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call us at your convenience to set up your quarterly investment meeting.

Contents:

Going, Sebastien, Fisher & Le Bouef, LLP News	Page 1
Investment Views	Page 2
More New Highs for the S&P 500 in Quarter 2	Pages 2-3
Interest Rate Yields	Pages 4-5
GSF&L, LLP Registered Investment Advisors	Pages 5

Going, Sebastien, Fisher & Le Bouef, LLP (GSF&L) News:

- Several GSF&L Certified Public Accountants have recently become credentialed as Personal Financial Specialists (PFS). They are Matt LeDoux, Robert Roy, Scott Hayes, Amy Spellman, Seth Dabney, and Kaleb Andrepont. The PFS credential is granted exclusively to CPAs with tax expertise and comprehensive knowledge of financial planning. All areas of financial planning, including estate, retirement, investments, and insurance have tax implications, and a PFS can advise in these areas. Please call any of them in addition to Craig or Darren should you need help or advice in the areas of estate, retirement, investment, insurance, or tax planning.

- As an update to the three closed end (interval) funds Cliffwater (CCLFX & CELFX) and Variant (NICHX) GSF&L added last year to our clients' investment fixed income allocation to provide income and diversification, see the following 2023 returns. The three funds have a low to negative correlation with the S&P 500 and Bond Aggregate Index. For the year ended December 31, 2023, the funds returned CCLFX 12.66%, CELFX 12.66%, and NICHX 9.50%, respectively, which compares to the S&P 500 total return of 26.29% and BBgBarc US Agg Bond total return of 5.53%. The 2023 distribution rates ranged from 9.88-11%. Feel free to contact one of the Investment Advisors at GSF&L should you wish to learn more about the funds and how they may further diversify your investment portfolio.

Investment Views:

- ***YCharts - Through June 30, 2024 - Year-to-date returns –*** Dow Jones Industrial Average 4.79%, S&P 500 15.29%, NASDAQ 100 17.47%, Russell 2000 1.73%, S&P MidCap 400 6.17%, Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) 5.75%, S&P GSFCI (Broad-Based Commodities) 11.08%, and BBgBarc US Aggregate Bond -0.71%.

- **Interest Rates (As of June 30, 2024 – Average National Rates) –**

Federal Funds Rate	5.33%	10-Year TIPS	2.03%
3-Month Treasury Bill	5.23%	10-Year Muni Bonds – Nat'l	2.80%
10-Year Treasury Note	4.29%	15-Year Mortgage Fixed	6.16%
30-Year Treasury Bond	4.43%	30-Year Mortgage Fixed	6.86%
Savings	0.45%	Money Market	0.67%
12-month CD	1.86%		

Sources: Federal Reserve, fms.bonds.com, Freddie Mac, FDIC

- ***Northern Trust – Weekly Economic Commentary – June 28, 2024 –*** Artificial Intelligence (AI) has been a dominant theme during the first half of the year. The S&P 500 is up 15% this year, if you remove the "Magnificent 7" tech stocks, that return falls to 7%. The sky seems to be the limit. The electricity needed to support is on a collision course with climate change. Data center construction is rising rapidly, and all of those servers will need to be powered and cooled.

- ***Bureau of Economic Analysis – June 27, 2024 -*** Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 1.4% in the first quarter of 2024, according to the "third" estimate released by the Bureau. In the fourth quarter 2023, real GDP increased 3.4%. Personal income increased 0.5% in May as compared to a 0.3% increase in April.

- ***Bureau of Labor Statistics – July 11, 2024 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1% in June, after being unchanged in May. Over the last 12 months (through June), the all-items index increased 3.0% before seasonal adjustment. The energy index increased 1.0% for the 12 months ending June. The food index increased 2.2% over the last year.

- ***C*raig's Thoughts and Views:**

More New Highs for the S&P 500 in Quarter 2

The S&P 500 experienced its first real dose of volatility early in the second quarter, but expectations for interest rate cuts by the Federal Reserve, solid economic growth, and continued strong financial performance from Artificial Intelligence (AI)-related tech companies ultimately pushed the S&P 500 to new all-time highs and the index finished the quarter with strong gains. More recently, the index lost -1.19% from July 16 to July 22, 2024, but it is too early to determine if this is the start of a correction.

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. The practical impact of the hot CPI report and William’s commentary was to push rate cut expectations out from June to September and that caused the 10-year Treasury yield to rise sharply, from 4.20% at the start of the quarter to a high of 4.72%. Those higher yields pressured the S&P 500 in April, which fell 4.08% and completed its worst month since September.

On the first day of May, however, the Fed largely dispelled concerns about potential rate hikes and ignited a rebound that ultimately carried the S&P 500 to new highs. At the May 1 Federal Open Market Committee (FOMC) decision, Fed Chair Powell essentially shut the proverbial 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. Then, later in the month, the April CPI report (released in mid-May) rose 3.4% year over year, slightly lower than the 3.5% in March and that resumption of disinflation (the decline in inflation) further increased expectations for rate cuts in 2024. Additionally, employment data moderated in May, with the April jobs report coming in below expectations (but still at healthy levels). The practical result of the resumption of disinflation, the supportive Fed commentary and moderating labor market data was to increase September rate cut expectations, push the 10-year Treasury yield back down below 4.50% and spark a 4.96% rally in the S&P 500 in May.

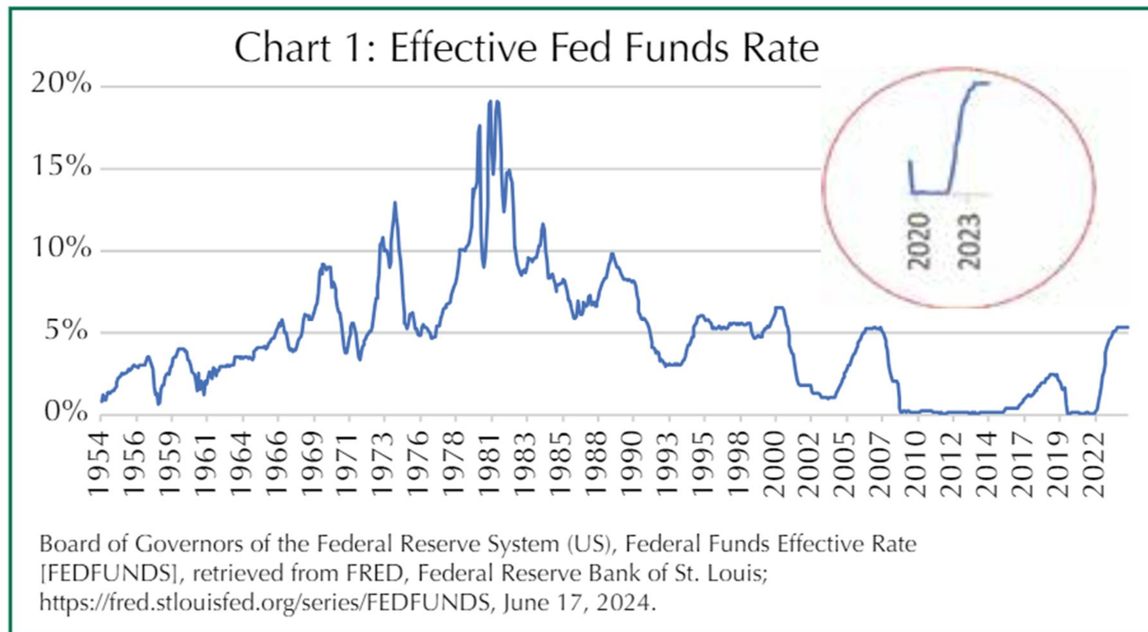
The upward momentum continued in June thanks to more positive news on inflation, additional reassuring commentary from the Fed and strong AI-linked tech earnings. First, the May CPI (released in mid-June) declined to 3.3% year over year, the lowest level since February. Core CPI, which excludes food 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. Economic data, meanwhile, showed continued moderation of activity and that slowing growth and falling inflation helped to push the 10-year Treasury yield close to 4.20%, a multi-month low. Finally, investor excitement for AI remained extreme in June, as strong AI-driven earnings from Oracle (ORCL) and Broadcom (AVGO) along with news Apple (AAPL) was integrating AI technology into future iPhones pushed tech stocks higher and that, combined with falling Treasury yields and rising rate cut expectations, sent the S&P 500 to new all-time highs above 5,500.

In sum, markets impressively rebounded from April declines and the S&P 500 hit a new high thanks to increased rate cut expectations, falling Treasury yields, and continued robust earnings growth from AI-linked tech companies.

Interest Rate Yields

Recent articles in the media have described recent monetary policy as “restrictive.” This article will look at those claims in historical terms.

The Federal Funds rate is the primary tool by which the Fed enacts monetary policy. Chart 1 shows the effective rate historically through May 2024.



Recent monetary policy over the past 12 months relative to the recent past has indeed been more restrictive (see chart inset).

Despite the recent escalation in rates and if put in historical context, concerns that the Fed is being overly restrictive appear to be overstated as some economic research is stating. The current effective rate of 5.33% is well below the high end of its range and is less than 1% above its average of 4.6%.

The Fed only controls very short-term rates, one being the federal funds rate, which does impact other short-term instruments. As maturities lengthen, the relationship between the Fed Funds rate and interest rates deteriorates quickly as maturities lengthen. The Fed has little control over the entire 30-year yield curve, because the longer-term bond market prices in expectations of Fed policy ahead of time. Longer term interest rates are affected by factors beyond expected Fed policy, such as inflation expectations and many breaking developments across the global markets as they occur that affect investors’ appetite to lend and financial institutions willingness to borrow.

Longer-term rates have increased as well over the past two years, but they are consistent with their historical average and well below their historical high. According the National Bureau of Economic Research, the 10-year Treasury has yielded 4.78% on average

since 1926 and is currently yielding about 4.25%, which is squarely in the middle of its 25th and 75th percentiles.

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course, it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results. Diversification does not assure against market loss.