Foresight

Capital Management Advisors, Inc.

Newsletter 3Q 2024 & Market Summary

The market continues on its path of growth through June 2024 continuing to surprise with the S&P 500 up +15.29% year to date. July earnings have 80% of companies beating estimates while only 62% are beating revenue estimates, according to FactSet. The Consumer seems to be doing fine given workers are receiving wage increases averaging 3.7%, a rate higher than inflation which is at 3%. Seniors have received 3.2% cost of living increases for Social Security. Inflation has continued to drop to 3% and unemployment remains low at 4.1%. These factors are what is driving the market higher and the economy seems healthy overall. The Federal Reserve is signaling to lower interest rates in September. Read on for a further discussion on market reactions to elections years. The Foresight Models all have positive returns YTD as of June 30, 2024: Conservative +6.19%, Moderate +7.67%, Aggressive +9.07%, All Equity +13.76%, S&P 500 +14.77%, Money Market +1.99%, and All Fixed Income +1.39%.

Welcome our employee accomplishments and newest employees at Foresight!

Matthew Drake
BBA in Finance from EMU- joined Foresight as Corporate Financial Analyst

Evan Koorhan
Masters in Finance at EMU-our newest Financial Portfolio Investment Analyst

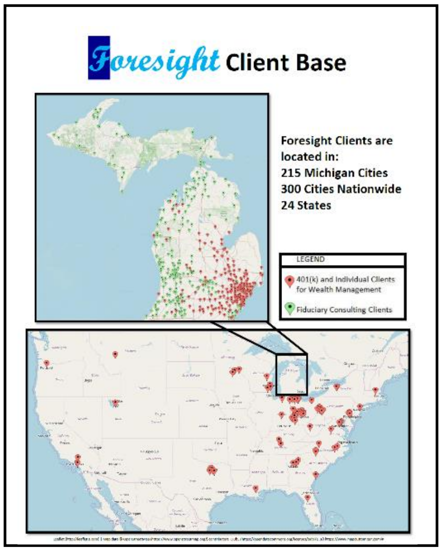
Jae Fox
Pursuing a BBA-Finance at UofM Dearborn-joined Foresight as a Financial Analyst Intern

Jacob Liparoto
Pursuing a BBA-Finance at UofM Dearborn-joined Foresight as a Financial Analyst Intern

I-Bonds Consider Redeeming them: Any I-Bonds that were purchased a year ago may be redeemed in the next couple of months. We recommend doing this as there are many other investment choices now that will pay higher interest than the I-bond, the May 2024 renewal rate is only 4.28%. Please contact Foresight if you need assistance on how to redeem your I-bonds from Treasurydirect.gov and ideas of how to reinvest these funds.

Financial Advisor Magazine Rankings for 2024: Every year Financial Advisor Magazine ranks all the Registered Investment Advisory firms on growth, returns, and net new clients. Foresight was moved up 80 spots in 2024 to hold the 398th investment firm in the nation! For Michigan we are ranked 15th in the state. We are very honored to have accomplished this achievement and thank you for being a part of our firm.

New 10 Year Rule Eased for Inherited IRA's: Recently a new ruling clarified how distributions for inherited IRA's can be implemented. It now states that beneficiaries have up until year 10 to take the balance out for taxation and it does not need to be ratably taken as 1/10th each year as previously was thought. This ruling will now allow for extra tax planning benefits especially for those retiring soon. Please let us know if you have any questions or would like to discuss this further.



FCMA Mutual Fund Model Returns
June 30, 2024

Money Mkt	+1.99%
100% Fixed Income	+1.39%
Conservative Model	+6.19%
Moderate Model	+7.67%
Aggressive Model	+9.07%
100% Equity Model	+13.76%
S&P 500 Model	+14.77%

Indexes:

S&P 500 Index	+15.29%
MSCI EAFE Foreign	+5.75%
10Yr T-Bond Index	- 0.71 %

Future performance is not guaranteed; above returns are total return with reinvestment of dividends, interest, capital gains, and shown net of the highest FCMA management fee.

Foresight's Outlook and Portfolio Strategies

The market continues on its strong start to 2024 with the S&P 500 up +15.29% YTD and inflation now down to 3%, low unemployment of 4.1%, and the expectation that the Federal Reserve will begin to lower interest rates this fall of 2024. The market and economy have surprised to the upside over the past year and we expect continued normal growth throughout the election year of 2024.

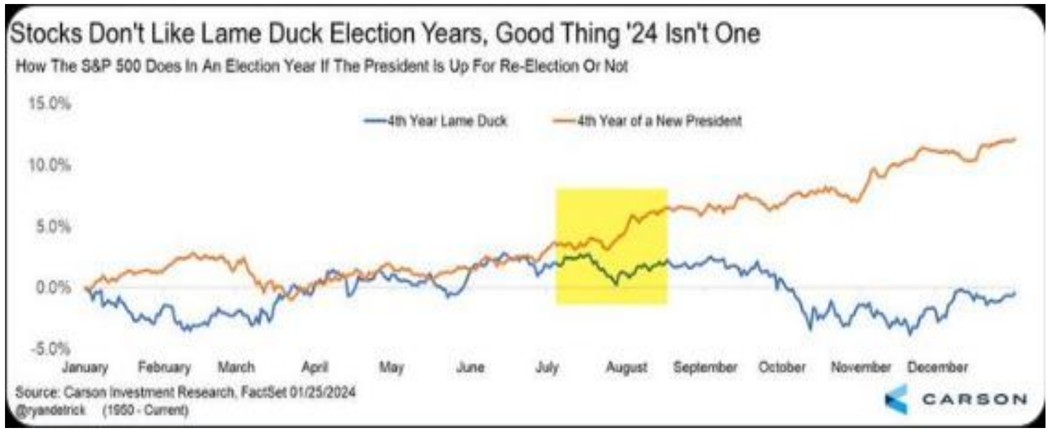
The consensus expectation is the Federal Reserve will begin lowering interest rates in September. The first rate-cut will most likely be a -0.25% cut to lower the short-term interest rate down to 5%-5.25% from the current 5.25%-5.5% level. This expectation comes from the continued lower inflation with CPI down to 3%, unemployment ticking up to 4.1% from its 3.4% low in January, and 2Q GDP rising at a strong +2.8%. This expected rate cut as well as the subsequent rate cuts to follow will begin to increase the prices of corporate and municipal bonds, which are still discounted in price from the historical drop they experienced in 2022. The expectation of the Federal Reserve lowering interest rates leads to a short window of opportunity to take advantage of the investment grade municipal and corporate bonds that are locking in on today's high interest rate environment at favorable pricing over the next decade and more. We recommend reaching out to our team to learn about how to take advantage of this opportunity before the Federal Reserve begins lowering interest rates this fall, as there is only about 60 days to get this completed for your future.

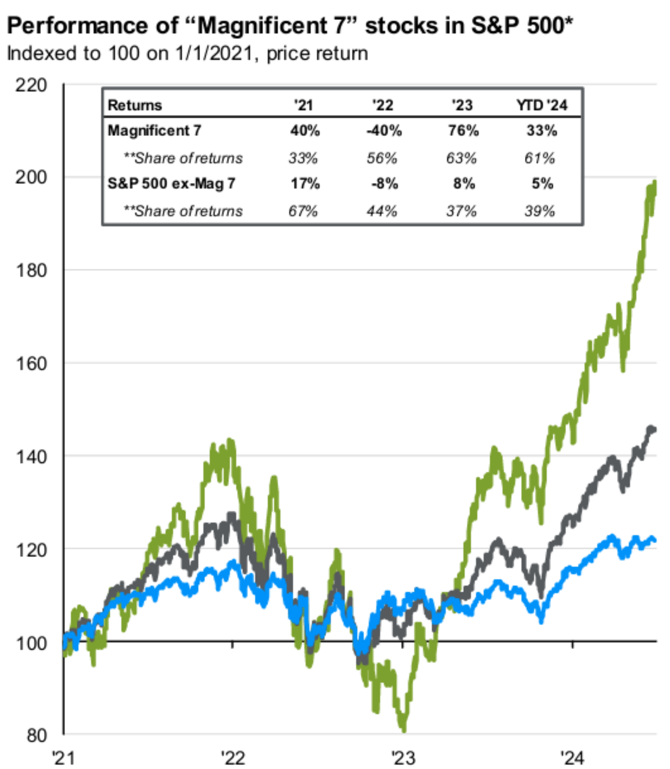
The strong first half returns for the market of +14.5% tend to be historically favorable for the second half of the year. When the market is up over 10% in the first half of the year, the second half of the year is positive 82% of the time with an average gain of close to +11%. When the market has made 20 or more all-time highs throughout the first half of the year, the market averages another 15 all-time highs in the second half of the year with a median return of +9.6%. **The market has also never been lower for the full year when the first half of the year gains over +10% as we've seen so far in 2024.** See chart to the right showing through the years.

S&P 500 Returns When H1 Greater Than 10%

Year	H1 (Jan-Jun) Return	S&P 500 Forward Returns: H2 (Jul-Dec) Return	S&P 500 Forward Returns: Full Year
1954	17.7%	23.2%	45.0%
1955	14.0%	10.8%	26.4%
1958	13.1%	22.0%	38.1%
1961	11.2%	10.7%	23.1%
1967	12.8%	6.4%	20.1%
1975	38.8%	-5.3%	31.5%
1976	15.6%	3.0%	19.1%
1983	19.5%	-1.9%	17.3%
1985	14.7%	10.1%	26.3%
1986	18.7%	-3.5%	14.6%
1987	25.5%	-18.7%	2.0%
1988	10.7%	1.5%	12.4%
1989	14.5%	11.1%	27.3%
1991	12.4%	12.4%	26.3%
1995	18.6%	13.1%	34.1%
1997	19.5%	9.6%	31.0%
1998	16.8%	8.4%	26.7%
1999	11.7%	7.0%	19.5%
2003	10.8%	14.1%	26.4%
2013	12.6%	15.1%	29.6%
2019	17.3%	9.8%	28.9%
2021	14.4%	10.9%	26.9%
2023	15.9%	7.2%	24.2%
2024	14.5%	?	?
Median	14.6%	9.8%	26.4%
% Positive	100.0%	82.6%	100.0%
Average Gain	16.3%	10.9%	25.1%
Average Loss	NA	-7.3%	NA
Max	38.8%	23.2%	45.0%
Min	10.7%	-18.7%	2.0%

However, the second half of the year tends to be flat if there is a lame duck scenario with a presidential election. With the recent news of President Biden dropping out of the election, we're currently in this scenario and will be monitoring the markets and portfolios closely as the election approaches this fall.

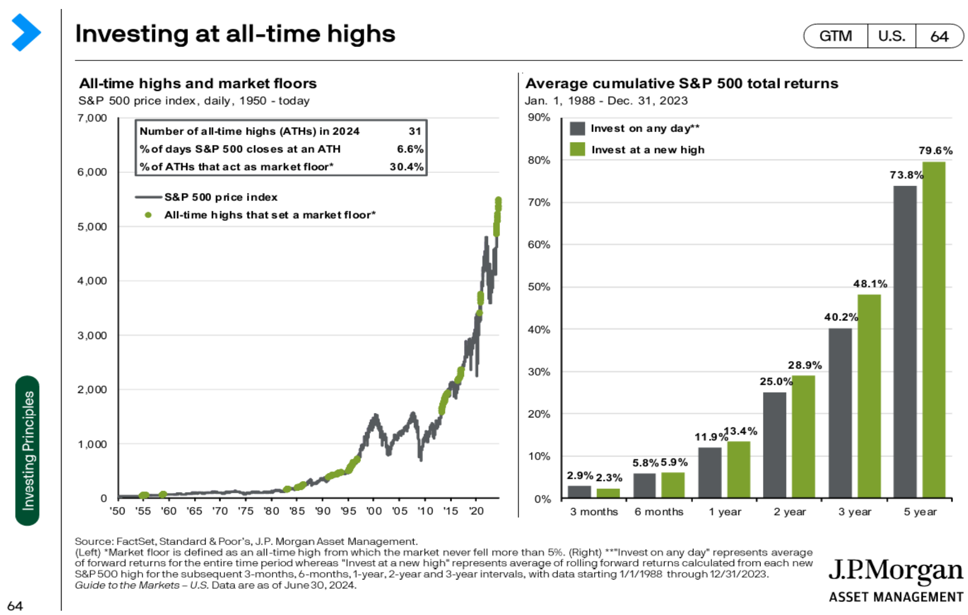




Returns	'21	'22	'23	YTD '24
Magnificent 7	40%	-40%	76%	33%
***Share of returns*	*33%*	*56%*	*63%*	*61%*
S&P 500 ex-Mag 7	17%	-8%	8%	5%
***Share of returns*	*67%*	*44%*	*37%*	*39%*

The first half of 2024 felt very similar to 2023 as market returns have continued to be dominated by the "Magnificent 7" stocks which primarily focus on technology and artificial intelligence (AI). Through the first half of 2024, the Magnificent 7 were up +33%, leading to 61% of the S&P 500's returns compared to just a +5% aggregate return for the remaining 493 stocks of the S&P 500. However, the market has started to rotate with Small and Mid-cap stocks beginning to outperform large cap stocks and particularly the Magnificent 7 by a record +11% to start July. This rotation has signaled the broadening of the market and emphasizes the importance of staying diversified within your investment strategies.

As the market has reached 31 all-time highs in the first half of 2024, investors can become leery of continuing to invest at or around all-time highs in the market. However, historically speaking, investing at all-time highs typically leads to outperformance compared to investing on any day. The main driver of the recent all-time highs in the market is the robust future expected earnings growth of +17.1% annualized over the next five years.



Additional clarification has come for the SECURE Act 2.0 10-year Inherited IRA RMD rule. The IRS has once again clarified that beneficiaries of an Inherited IRA that are subject to the 10-year rule are not required to take a required minimum distribution (RMD) in 2024. The current law states that a beneficiary must completely distribute the inherited IRA account by the end of the 10th year following the year that the prior owner of the IRA account passed away. This presents continued planning opportunities for beneficiary IRA owners subject to the 10-year rule, especially for those who plan on retiring within the 10-year period and may see a substantial drop in taxable income upon retirement.

Investment Portfolio Update: Foresight continues to see opportunities in staying broadly diversified with exposure to both growth and value at this time. Foresight currently has the portfolios positioned at slightly above neutral weightings as follows: 52:48 for Conservative, 62:38 for Moderate, and 80:20 for our Aggressive Retirement Plan participants while investors with personal portfolios at Foresight are at approximately 55:45 for Conservative, 65:35 for Moderate, and 75:25 for the Aggressive Models. Opportunities continue in U.S. growth and value stocks, prime market bonds, and select foreign stocks. For Individuals who have personal portfolios with Foresight, we continue to monitor the stock portfolios weekly and use stop-losses to protect the gains produced from a strong 2023. In addition, we have utilized excess cash on the stock side of client portfolios to increase exposure to both growth and value stocks, which allows us to maintain the balance of both healthy dividend payers and strong growth companies in high margin industries such as semiconductors, artificial intelligence, and software. This balance has been key to a strong first half of 2024 for our stock models, which have performed well versus the broad market indices. We have also started to rotate more into value as well as small & mid-cap companies, as they are poised to perform well as interest rates begin to decrease. Foresight has also continued to purchase discount bonds in order to keep overall portfolio allocations in line with the current weightings across our models. We have also been able to take advantage of market conditions in 2024 with covered calls, and we continue to analyze current market trends that allow us to utilize covered calls to add value through additional cash flow for our clients.

The economy is holding strong through Q2 2024 and the market has had strong gains thus far in 2024 in both domestic and international equities, with the S&P 500 up 15.29% through the end of the second quarter. Bonds are still slightly negative on the year thus far, but we expect bonds to perform well as interest rates start moving towards the long-term Federal Reserve target of 2.50% with one or two potential rate cuts in store for the back half of this year. We are optimistic that the rest of 2024 will be a positive gain year for investments. As always, we continue to monitor our portfolios on a daily basis and look for any opportunity to strengthen our positions depending on market trends and future outlook. Please call or email if you have any questions or would like to review your portfolios. Foresight was ranked in the 2024 Financial Advisors Magazine in the Top 400 advisors nationally and in the top 15 advisors in Michigan! Both Laurie and Patrick were chosen as Five Star Advisors for 2024. We wish everyone a very nice summer and make sure to stay cool!

Foresight Planning Ideas

HSA Savings limits have increased for 2025!: The HSA savings limits have increased for 2025 up to $4,300 for a single and $8,550 for a family. Those over the age of 55 can contribute an additional $1,000.

Foresight Ranked in the Top RIA firms nationally: as 398 for 2024 year's Financial Advisor Magazine ranking out of approximately 32,600 RIA firms nationally! We are extremely pleased with this standing and have risen up another 80 rankings since a year ago. In Michigan we ranked 15th in our state. Our hard work on your behalf continues to show our investment philosophy is working. We thank you for being a part of our firm.

Healthcare Costs for a Retired Couple in 2024 has been released: Each year Fidelity does a thorough analysis of typical healthcare costs that a couple can expect to pay over their retirement years and for 2023 it is expected to cost $351,000 per couple and $176,000 for a single. This cost is substantial enough that it needs to be planned for prior to retirement. Please contact Foresight if you wish to discuss ideas of how to cover this risk and cost over your retirement years.

New 10 Year Rule Eased for Inherited IRA's: Recently a new ruling clarified how distributions for inherited IRA's can be implemented. It now states that beneficiaries have up until year 10 to take the balance out for taxation and it does not need to be ratably taken as 1/10th each year as previously was thought. This ruling will now allow for extra tax planning benefits especially for those retiring soon. Please let us know if you have any questions or would like to discuss this further.

A New Idea for Long Term Care: There are now many low-priced annuities, that have been vetted by the NAPFA organization, where Foresight can help to create a replacement for traditional LTC insurance. If you do not have LTC insurance please contact us to discuss ideas for how best to cover this risk for you as you enter retirement. Especially if you have old life insurance policies that potentially could be converted to a use during your lifetime! Call 877-429-4690.

New Foresight Model Portfolios for 2024! Beginning in 2024 Foresight will roll out seven Model portfolios for retirement plans and individuals who are working and accumulating wealth. The seven portfolios will include the original three Foresight Models Conservative, Moderate, and Aggressive and then add four new portfolios as follows which will comprise mutual funds and ETFs (electronic traded funds):

Money Market Model
100% Fixed-Income Model
Conservative Model
Moderate Model
Aggressive Model
100% Equity Model
S&P 500 Model

HSA-Health Savings Plans: Foresight now offers HSA investment plans with debit cards and investment growth for your health care savings accounts. Most employers are now offering HSA plans with your health benefit plans to keep costs reasonable, but the HSA plan attached to the benefit does not allow for you to invest your HSA account and the funds just set in a bank account. The Foresight HSA can be opened, in addition to your employer HSA, and allows you to invest your HSA in our Foresight Models just like we have for our 401(k) plans or mutual funds clients. Any unused HSA balance you have can be easily transferred to a Foresight HSA and made into an investment portfolio while keeping the minimum at your employer for use with your debit card! Then if you need funds put on your debit-card we can simply move funds to the debit card as needed. In the meantime, your HSA is growing and can be saved for healthcare in retirement too! Contact us for more information, 877-429-4690.

Contribution Limits estimated for 2024:

The IRS has not officially released the new 401(k),403(b), and 457 savings limits for 2024 however there are many reputable sources that have released estimated savings amounts for 2024. Note there are many areas that are likely to increase for 2024. Foresight will update any amounts that change once the IRS releases the final limits please only use these estimates as likely ranges at this time.

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Contribution Limits

	2023	2024
401(k), 403(b), or 457 deferral limit	$22,500	$23,000
401(k), 403(b), or 457 catch-up deferral limit	$7,500	$7,500
401(k), 403(b), or 457 max. deferral if age 50+	$30,000	$30,500
Total Savings deferral, match, and profit sharing	$66,000	$68,000
IRA deferral limit	$6,500	$7,000
IRA maximum deferral if age 50+	$7,500	$8,000
Simple IRA deferral limit	$15,500	$16,000
Simple IRA maximum deferral if age 50+	$19,000	$19,500
SEP IRA deferral limit *(maximum not to exceed 25% of earnings)*	$66,000	$68,000
Annual Comp limit & SEP IRA wage limit cap	$330,000	$340,000
Highly Compensated Employee wage limit	$150,000	$155,000
Roth IRA phase-out range (married)	$218,000-$228,000	$230,000-$240,000
Roth IRA phase-out range (single)	$138,000-$153,000	$146,000-$161,000
Traditional IRA phase-out range (married)		
*with workplace retirement plan	$116,000-$136,000	$123,000-$143,000
*without workplace retirement plan	$218,000-$228,000	$230,000-$240,000
Traditional IRA phase-out range (single)	$73,000-$83,000	$77,000-$87,000
Annual Gift Exclusion	$17,000	$18,000

Health Savings Accounts (HSA) and High Deductible Health Plans (HDHP)

	2023	2024
Individual HSA limit	$3,850	$4,150
Family HSA limit	$7,750	$8,300
Individual HSA limit age 55+	$4,850	$5,150
Family HSA limit age 55+	$8,750	$9,300
Individual HDHP minimum deductible	$1,500	$1,600
Family HDHP minimum deductible	$3,000	$3,200
Individual HDHP maximum out-of-pocket	$7,500	$8,050
Family HDHP maximum out-of-pocket	$15,000	$16,100

Projected Limits for 2024 Sources Include: www.whitecoatinvestor.com, www.horizontrust.com, www.millman.com, www.tax.thomsonreuters.com, www.timesreporter.com

HSA limits for 2025 :

Single $4,300 Family $8,550

and if over age 55 add $1,000.

How to Apply for Medicare: Are you getting close to age 65? Medigap versus Medicare Advantage Plans, you need to know what the differences are and the benefits of each. If you have questions or are confused how to apply for Medicare insurance and its many options for supplemental coverages please contact us at 877-429-4690 and we would be happy to give you some guidance.

Patrick Carney's Article with NAPFA organization: Visit the site below to read Patrick's article! Learn what his journey has been as a young financial planner and the satisfaction he gets from helping clients reach their investment goals.

PRACTICE PROFILE

Print this Article

Focusing on what you can control

Patrick L. Carney of Foresight Capital Management Advisors

By Bridget McCrea

As a young fee-only professional, 28-year-old Patrick L. Carney knows that people are going to assess and interact with him differently than they would, say, an advisor with 10-plus years of experience in the profession. This reality doesn't bother the director of personal wealth management at Foresight Capital Management Advisors in Saline, MI, but it has pushed him to accelerate his education and learn as much as he can about financial planning.

"One thing that's very difficult for new advisors in general is getting started and gaining the respect of current and prospective clients. A lot of people come to us looking for an advisor who has a vast array of experience, education, and knowledge," says Carney. "When you're first starting out, you don't have that decade—or multiple decades—of experience that many clients are looking for."

Carney says he stopped worrying about things he couldn't control (e.g., his age, years of career experience, and similar measures) and instead has been working hard over the last six years to earn certifications that position him as a high-level fiduciary. So far, he's earned his CFP®, AIF®, and CIMA® credentials, the last of which he attained by completing the education requirements at the Yale School of Management.

Visit this site to read the whole article:
https://www.naylornetwork.com/napf-nwl/articles/index.asp?aid=734769&issueID=94950

CEPA- Certified Exit Planning Analysis Services: Foresight is now certified to provide exiting planning valuations for businesses and owners. Our firm is also prepared to assist with implementing business improvements to assist with increasing the value of your business prior to an exit or retirement. If you are interested, or know of someone who is interested, in pursuing services in this area please reach out to Foresight at 877-429-4690.

Foresight New White Paper-Financial Planning for the Young Professional!

Focused on the many financial planning areas a young professional should strategically work into their overall lifestyle. When this is organized and addressed at a young age the young professional can successfully launch their career, start a family, pay off student debts and plan for their future! We walk through the Foresight holistic approach to financial planning in this new whitepaper that will be a must read for most career minded professionals. The sooner you read this whitepaper the more settled you will be as you begin the journey in your career.

On-line Access: Each year we encourage everyone to test your on-line access to your account(s) at the custodian or third-party administrator for your plan. Please visit Journeyrps.com, Definiti.com, or Sentinelgroup.com retirement participant. For individual clients at Schwab Institutional Clients access Schwaballiance.com. To access your web portal for individual accounts, go to https://fp.morningstar.com. If you have any difficulty accessing your account, please email or contact us.

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Capital Management Advisors, Inc.

July 2024

Market Update

(all values as of 06.28.2024)

Stock Indices:

Dow Jones	39,118
S&P 500	5,460
Nasdaq	17,732

Bond Sector Yields:

2 Yr Treasury	4.71%
10 Yr Treasury	4.36%
10 Yr Municipal	2.86%
High Yield	7.58%

YTD Market Returns:

Dow Jones	3.79%
S&P 500	14.48%
Nasdaq	18.13%
MSCI-EAFE	3.51%
MSCI-Europe	3.72%
MSCI-Pacific	3.05%
MSCI-Emg Mkt	6.11%
US Agg Bond	-0.71%
US Corp Bond	-0.49%
US Gov't Bond	-0.68%

Commodity Prices:

Gold	2,336
Silver	29.43
Oil (WTI)	81.46

Currencies:

Dollar / Euro	1.06
Dollar / Pound	1.26
Yen / Dollar	160.56
Canadian /Dollar	0.73

Macro Overview

Markets were influenced by election dynamics and economic data in June as equities and bonds responded to uncertainty surrounding the direction of future fiscal policy and when the Fed might commence its rate reduction initiative.

Equity indices ended the second quarter mixed as the S&P 500 Index and the Nasdaq Composite Index outperformed the Dow Jones Industrial Index. Technology related companies advanced during the quarter while energy and industrial companies lagged.

Big banks underwent a stress test, which is imposed by the Federal Reserve to determine financial viability as well as the ability for banks to withstand severe economic and financial shocks. All 31 banks tested remained above their minimum capital requirements during the hypothetical severe recession scenario, and are considered well-positioned to weather a severe recession and continue lending.

The most recent employment report showed that the unemployment rate rose to 4.1%, incentivizing the Federal Reserve to consider lowering rates sooner rather than later. Companies have been slowing their rate of hiring as well as increasing layoffs across various industries. Economists view these dynamics as indicative of decelerating economic activity. Some analysts expect the Fed to initiate rate reductions as early as September should economic data continue to substantiate slowing growth trends.

European central bankers, academics, financial market representatives, and journalists met in Sintra, Portugal in early July to exchange views on current policy issues and discuss long-term economic perspectives affecting European countries and the EU. Primary topics included continued inflationary pressures throughout Europe, the ongoing conflict with the Russian invasion of Ukraine, and employment challenges for the region. Subdued economic activity and slowing industrial production were part of the discussions, as Industrial production in the EU dropped by 5.4% between February 2023 and February 2024. The significant year-over-year decrease indicates a slowdown in industrial activity throughout Europe.

Financing costs for new autos remained relatively high in June, even though auto prices have been dropping. The typical monthly payment for a new auto loan set a record high of $740 this quarter, thus reducing consumer demand even as the average price on autos continue to drop due to easing supply chains and ample inventory.

Technology is advancing as companies are reconfiguring their computing infrastructure from information retrieval to an A.I. approach. The changes and advancement are anticipated to take years and are expected to affect nearly every sector and industry.

A model used by the Federal Reserve in valuing residential home values found that homes are now 25% overvalued, just below the 28% peak in 2007. Using the Labor Department's measure of rent, home prices are 19% overvalued using private measures of market rents. The Fed also follows the S&P CoreLogic Case-Shiller U.S. national home price index, which is up 51% since the end of 2019. (Sources: U.S. Treasury, Federal Reserve, S&P, Eurostat, Labor Dept., ECB, Dow Jones, Nasdaq, Case-Schiller)

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AVERAGE AMOUNT FOR A NEW CAR LOAN HAS FALLEN TO $38,739

Stock Indices Not In Sync – Domestic Equity Overview

The second quarter saw varying performance across the S&P 500 Index, as certain sectors outperformed while others underperformed. Technologies, utilities and communication services saw the largest gains for the quarter, while materials, industrials and energy experienced pullbacks. The S&P 500 Index was up 4.28% for the second quarter, while the Dow Jones Industrial Average posted a -1.73% decrease, and the Nasdaq Composite Index was up 8.5% for the quarter.

Various analysts are identifying a growing disparity among the major equity indices, indicating a market with narrow performance in just a few sectors, rather than broadly covering multiple sectors.

Sources: S&P, Dow Jones, Nasdaq, Bloomberg

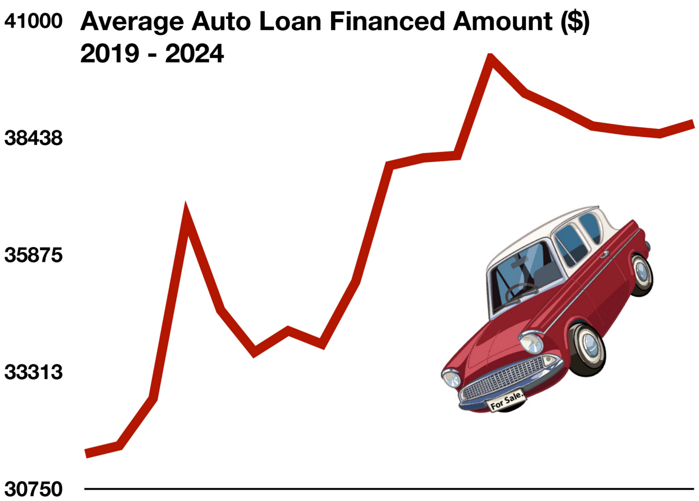
Rates Start To Stabilize – Fixed Income Update

As recent economic data revealed a slowing economic environment in the second quarter, rates have begun to stabilize pointing to a downward trend over the next few months. The yield on the benchmark 10 year Treasury bond rose to 4.36% at the end of the second quarter ending June 28th, up slightly from 4.33% at the beginning of the quarter on April 1st. Even though rates have begun to stabilize, consumer loan rates are still elevated and hindering consumers from buying homes to cars.

Source: U.S. Treasury

Average Auto Loan Amounts Head Lower – Consumer Finance

As auto sales have decreased over the past few months, so have the prices paid for automobiles and light trucks. Recent data compiled by the Federal Reserve Bank of St. Louis show that the average amount financed for a new car loan has fallen to $38,739, down from $40,155 in September 2022.



Automobile dealerships nationwide have been accumulating larger inventories of cars and trucks, which they haven't been able to sell as quickly as before. The disruption of supply chains and availability of auto components during the pandemic elevated prices for new and used cars very quickly amongst an environment of dismal supply.

Now with supply chains restored and product supply back on track, demand has weakened, leaving large inventories and falling prices. Even though prices have fallen, consumers are still seeing larger than average auto payments due to high interest rates. Unless rates drop, consumers may continue to hesitate buying automobiles while dealers continue to amass inventories of unsold cars.

Source: Federal Reserve Bank of St. Louis

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S&P CORELOGIC CASE-SHILLER U.S. HOME PRICE INDEX IS UP 51% SINCE THE END OF 2019

Some Question Traditional Stock Market Indicator – Equity Analysis

The Dow Theory has been an indicator of the stock market for over 100 years, with a specific attention to transportation. It originated with a simple notion, that the Dow Transportation Index follows the Dow Jones Industrial Index. This is so because whatever the underlying 30 companies in the Dow Jones Index manufacture and produce, is ultimately shipped and transported to consumers and stores nationwide.

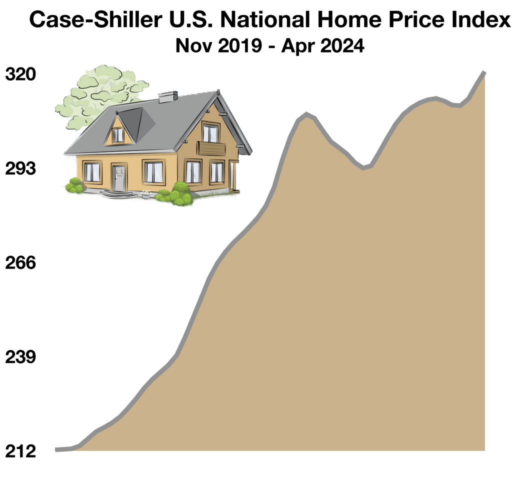
Market analysts have closely followed any disparities between the two indices for decades, trying to identify any lag or disconnect. Such a disparity has appeared recently, which may be an indicator of things to come. The divergence between the DJTA and the DJIA can be significant for market analysts and investors. According to the Dow Theory, the performance of the transportation sector (DJTA) should confirm the trends seen in the industrial sector (DJIA). If the two indices diverge, it may signal potential economic issues. For instance, if the DJIA is rising while the DJTA is falling, it could indicate that goods are being produced but not transported at the same rate, suggesting a potential slowdown in economic activity.

As of May 29, 2024, the DJTA was at 14,781.56, down by 213.56 points or 1.42% from the previous close. This reflects a year-to-date change of -7.03% and a 1-year change of 6.32%.
The DJIA, in contrast, had a year-to-date change of -2% and a 1-year change of 16.16%. Historically, this disparity in returns is greater than it has been.

Various factors may create or alter the performance of the Transportation Index, such as elevated fuel costs, weather, or logistical issues. Another factor has evolved more recently, whereas the believe that the U.S. economy has transformed into a more service oriented economy with non tangible products such as software platforms, not needing physical transportation or delivery. Incidentally, the objective results of any disparities have become much more subjective as analysts deduce varying reasons for disparities. (Sources: Dow Jones, Bloomberg)

Federal Reserve Says Homes Are 25% Overvalued – Housing Market Review

In addition to tracking inflationary pressures and wage growth, the Federal Reserve also tracks asset valuations to try to identify excessive increases. The Fed's Financial Stability Report assesses the stability of the US financial system by also analyzing asset valuations, borrowings by businesses and households, leverage and funding risks.



A model used in valuing residential home values found that homes are now 25% overvalued, just below the 28% peak in 2007. Using the Labor Department's measure of rent, home prices are 19% overvalued using private measures of market rents.The Fed also follows the S&P CoreLogic Case-Shiller U.S. national home price index, which tracks U.S. home prices nationwide. The index is up 51% since the end of 2019, an extraordinary rise relative to historical data. Another factor that is closely followed is the cost to rent versus owning. According to the Labor Department, the owner-equivalent rent is up 24% since 2019, meaning that the cost to purchase a home has risen more than the cost to rent since 2019. (Source: Federal Reserve Board of Governors)

Foresight

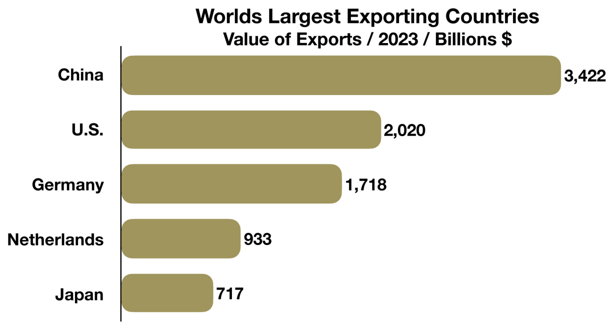
Capital Management Advisors, Inc.

THE BANKS TESTED UNDER THE FEDERAL RESERVE PROGRAM INCLUDED 31 BANKS

China Is Exporting More & Making Cheap Products Cheaper – Global Trade Update

China is flooding global markets, including the U.S., with cheap exports across various industries including steel, electric vehicles, solar panels, computer chips, and other manufactured goods.

China's factories are producing far more goods than its domestic market can absorb, leading to a glut of excess supply being exported at low prices to foreign markets such the U.S. and Europe. This overcapacity issue spans multiple sectors including steel, cars, solar panels, computer chips, and other manufactured products where China has rapidly expanded production capabilities.



China's global trade surplus in goods has soared to around $900 billion in 2022, more than double the pre-pandemic level, indicating the scale of oversupply. Factors including China's slowing economy, protracted property slump, and shift in consumer spending patterns have exacerbated the overcapacity problem.

The U.S., European Union and other trading partners accuse China of unfair trade practices such as subsidies, intellectual property theft, and forced technology transfers that have enabled the overcapacity trend. China's government has been subsidizing Chinese companies in order to export more competitively and aggressively.

The current U.S. administration announced major tariff hikes on $18 billion worth of Chinese imports including electric vehicles, solar cells, semiconductors, and some medical supplies to counter the inflow of subsidized Chinese products.The prior administration imposed tariffs of 25% on $300 billion worth of Chinese goods in order to stem the import of such products from China. (Sources: IMF, whitehouse.gov)

Banks Get A Stress Test & Pass – Banking Sector Review

The Federal Reserve reported in June that results of its annual bank stress test showed the largest U.S. banks and lenders have sufficient capital to withstand an economic catastrophe, while noting that pockets of risks are growing on some bank balance sheets.

The Fed identified increases with bank credit card balances as well as higher delinquency rates prompting higher projected credit card losses. The report also found that bank corporate credit card portfolios are growing riskier, and a combination of higher expenses and lower fee income are factors behind those losses. The banks tested under the Federal Reserve program included 31 banks, among them the largest U.S. banks to midsize regional banks and lenders. Commercial real estate exposure, which has become a growing concern, is a primary issue among smaller and midsize regional banks throughout the country. This year's hypothetical scenario was broadly comparable to the scenario in 2023, yet also included a severe global recession, a 40% decline in commercial real estate prices, a 36% drop in home values, and the unemployment rate rising to 10%. (Source: Federal Reserve Board of Governors)