Foresight

Capital Management Advisors, Inc.

NAPFA-REGISTERED FINANCIAL ADVISOR

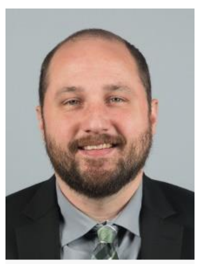
AIF® Accredited Investment Fiduciary®

Newsletter 4Q 2024 & Market Summary

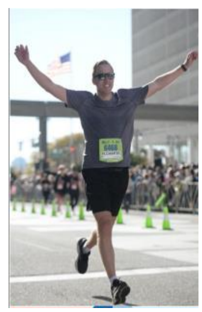
Thus far 2024 certainly has surprised to the upside gaining with the S&P 500 ytd +22.08% through September 30, 2024. October 3Q earnings have 79% of companies beating estimates while only 59.4% are beating revenue estimates, according to FactSet. The Consumer seems to be doing fine given workers are receiving wage increases averaging 3.7%, a rate higher than inflation which is at 2.4%. Seniors have received 3.2% cost of living increase in 2024 and expected to get 2.5% increase in 2025 for Social Security. Inflation has continued to drop to now only 2.4% and unemployment remains low at 4.1%. These factors are what is driving the market higher and the economy seems healthy overall with resilience. The Federal Reserve began lowering interest rates in September 2024 and is signaling to continue to lower interest rates in Nov/Dec 2024 and into 2025. Read on for a further discussion on market reactions to elections years. The Foresight Models all have positive returns YTD as of Sept 30, 2024: Conservative +10.51%, Moderate +11.91%, Aggressive +13.35%, All Equity +18.19%, S&P 500 +21.29%, Money Market +3.03%, and All Fixed Income +5.47%.

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



Patrick Carney
Successfully completed the Detroit Marathon in October 2024! Congrats to him for this endeavor.

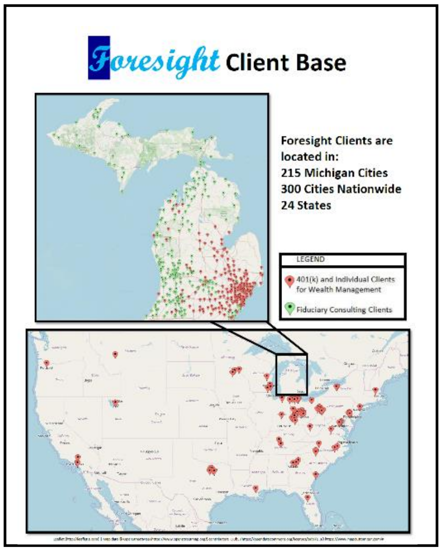
Jacob Liparoto
Pursuing a BBA-Finance at UofM Dearborn-joined Foresight as a Financial Analyst Intern

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.

FA RIA SURVEY & RANKING 2024

Roll over Excess Funds in 529 Plans to Roth IRAs: The Secure Act 2.0 now allows up to $35,000 of excess funds in 529 college savings plans to be rolled over to Roth IRAs for the child once they get a job and earn at least $7,000 per year. This can also be used as a gifting strategy to purposely overfund 529 plans with $35k. Contact Foresight with any questions.



FCMA Mutual Fund Model Returns
Sept 30, 2024

Money Mkt	+3.03%
100% Fixed Income	+5.47%
Conservative Model	+10.51%
Moderate Model	+11.91%
Aggressive Model	+13.35%
100% Equity Model	+18.19%
S&P 500 Model	+21.29%

Indexes:

S&P 500 Index	+22.08%
MSCI EAFE Foreign	+13.05%
10Yr T-Bond Index	+4.45 %

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

2024 has certainly surprised on the upside as it continues on its strong bullish path with the S&P 500 up +22.08% YTD and inflation now down to 2.4%, low unemployment of 4.1%, and the Federal Reserve now easing by lowering interest rates to 4.75%. Going forward we expect once the market settles after the election we should have normal average growth years in the market, which would be 5%-8% for the next couple of years. Time will tell and the election will have not only national impacts but international as well. Here are some outcomes as we see them.

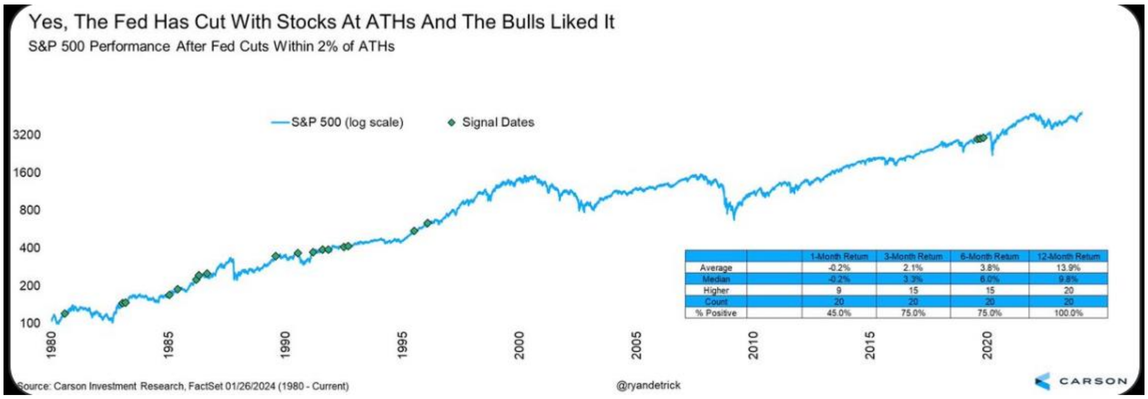
Potential Tax Outcomes From the Election:

As we approach the highly anticipated election, one of the key focuses of both parties is the imminent changes to the current tax law. There are 3 main scenarios depending on how to election shakes out:

1. Blue Sweep- We believe that if there is a blue sweep in the election we will most likely see tax law changes implemented ahead of the 12/31/2025 Tax Cuts and Jobs Act expiration. The Democratic party is proposing increasing the corporate tax rate and individual taxes on those making over $400,000 per year, and may also implement the first of it's kind "Billionaires Tax" in the US.
2. Red Sweep- We believe that if there is a red sweep in the election, we will most likely see a continuation of the current Tax Cuts and Jobs Act and that both individual and corporate tax rates will stay similar to current levels. However, tariffs are being proposed in lieu of raising individual or corporate taxes, essentially adding an additional tax on all imported foreign goods which could have a ripple effect to consumers.
3. Split Government- We believe that if there is a split government and neither party has the majority to pass sweeping tax law changes, that the current Tax Cuts and Jobs Act, supporting our present day tax law, will expire at the end of 2025 and we will revert back to the Obama era tax law. This is the most likely scenario and we believe planning for marginally higher tax rates by utilizing strategies such as Roth conversions in 2024 and 2025 are prudent. We also believe estate law changes would be coming with a likely decrease in the lifetime estate tax exemption from the current $13.61 million down to roughly $7 million per person. This provides gift planning opportunities in 2024 as well as 2025 under the current tax and estate laws.

History of Federal Reserve Rate Cuts Near All-Time Highs:

In September, the Federal Reserve decided to lower the current short-term interest rate by -.50% from roughly 5.25% down to 4.75%. This signaled the beginning of the Federal Reserve easing policy and beginning to lower interest rates now that inflation is under control around 2.4%. The Federal Reserve has lowered interest rates going back in history 20 times when the market is at or near all-time highs. The significance of this is that the S&P 500 was higher a year later all 20 times with an average return of +13.9%! This is signaling that the strength of our current market may carry well into 2025 and beyond.



Home Sale Slow Down:

September existing home sales fell 3.5% year-over-year to the lowest level since October, 2010. US home sales are also on track for their worst year since 1995. This emphasizes a slowing housing market stressed by higher mortgage rates currently near 6.85% for a 30-year mortgage. Home prices have gradually increased in recent years while mortgage rates have increased, leading to an affordability issue and a slow down in the number of homes sold per year. We believe that the Federal Reserve will continue to lower short-term interest rates and that the market will likely also lower mortgage rates in unison, leading to more affordability in the housing market especially with new builds as an emphasis to assist in the overall supply shortage of housing in the US.

Investment Portfolio Update:

Foresight continues to see opportunities in staying broadly diversified at this time. The economy continued to show resilience in the third quarter, with GDP growth estimated at around 2.2%, driven by consumer spending and business investment, and the market has responded positively with the S&P 500 up 22.08% year-to-date as well as up 6.79% in the third quarter. Bonds began to turn positive in the third quarter, and we expect bonds to perform well as interest rates continue to move towards the long-term Federal Reserve target of 2.50% with one or two more potential 0.25% rate cuts in store for the remaining two months of this year. We are optimistic that Q4 will continue the trend of a normal and positive gain year for investments, however we will be closely watching the election outcome and are prepared to act if increased volatility occurs. We have made the decision as a firm to remove our stop losses before the election in order to not overreact to short term market movements, and we will re-assess as things calm down in the weeks following. Regardless of the outcome, expect short-term market volatility as traders react to election results, potential recounts, and shifts in policy direction. Long-term market impacts will depend on how effectively the winning party can implement its agenda and address pressing economic challenges like inflation and labor market dynamics.

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. In our most recent Mutual Fund & ETF Rebalance, we added gold to the equity portfolios as a hedge against volatile market conditions as gold has a low correlation with traditional assets. 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 and 2024. We have also taken advantage of strong market performance in the Technology sector by trimming some gains on holdings such as NVIDIA, Broadcom, and Dell while still maintaining a healthy exposure to these growth companies. The cash raised from this rebalance allowed us to explore new opportunities in sectors such as Energy, Real Estate, and Consumer Discretionary and capitalize on investing in undervalued companies with attractive yields. Foresight has also continued to purchase discount bonds in order to keep overall portfolio allocations in line with the current weightings across our models and provide steady cash flow for our clients. Additionally, we have been able to take advantage of market conditions in 2024 with weekly covered calls, which have performed well in times of increased volatility and help provide added cash flow for our clients which has been successful this year.

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 fall and upcoming holiday season make sure to enjoy the everchanging beautiful scenery!

Foresight Planning Ideas

Secure Act 2.0 How to Roll Over Excess Funds in a 529 Plan to a Roth IRA: Did you know that any excess funds left in a 529 plan can now be rolled over to a Roth IRA in $7k increments for 5 years as long as the child has earned wages of at least $7k per year. The 529 plan has to be in place for at least 15 years then by rolling $7k for the next 5 years you are able to get up to $35,000 into a Roth IRA for your child. This concept can be used to consider it as a gifting strategy for parents and grandparents to purposely over fund 529 plans so you will have a way to get your children/grandchildren a Roth IRA with up to $35k in it to help launch them for their futures. Please contact Foresight if you would like to discuss this further 877-429-4690.

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.

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.

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.

Contribution Limits estimated for 2025:

The IRS has not officially released the new 401(k),403(b), and 457 savings limits for 2025 however there are many reputable sources that have released estimated savings amounts for 2025. Note there are many areas that are likely to increase for 2025. 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

	2024	2025
401(k), 403(b), or 457 deferral limit	$23,000	$23,500
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+	$30,500	$31,000
Total Savings deferral, match, and profit sharing	$69,000	$70,000
IRA deferral limit	$7,000	$7,000
IRA maximum deferral if age 50+	$8,000	$8,000
Simple IRA deferral limit	$16,000	$16,500
Simple IRA maximum deferral if age 50+	$19,500	$20,000
SEP IRA deferral limit *(maximum not to exceed 25% of earnings)*	$69,000	$70,000
Annual Comp limit & SEP IRA wage limit cap	$345,000	$350,000
Highly Compensated Employee wage limit	$155,000	$160,000
Roth IRA phase-out range (married)	$230,000-$240,000	$236,000-$246,000
Roth IRA phase-out range (single)	$146,000-$161,000	$150,000-$165,000
Traditional IRA phase-out range (married)		
*with workplace retirement plan	$123,000-$143,000	$126,000-$146,000
*without workplace retirement plan	$230,000-$240,000	$236,000-$246,000
Traditional IRA phase-out range (single)	$77,000-$87,000	$79,000-$89,000
Annual Gift Exclusion	$18,000	$19,000

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

	2024	2025
Individual HSA limit	$4,150	$4,300
Family HSA limit	$8,300	$8,550
Individual HSA limit age 55+	$5,150	$5,300
Family HSA limit age 55+	$9,300	$9,550
Individual HDHP minimum deductible	$1,600	$1,650
Family HDHP minimum deductible	$3,200	$3,300
Individual HDHP maximum out-of-pocket	$8,050	$8,300
Family HDHP maximum out-of-pocket	$16,100	$16,600

Sources:

https://www.whitecoatinvestor.com/retirement-plan-contribution-limits/

https://www.fidelity.com/learning-center/smart-money/hsa-contribution-limits

https://www.irs.gov/pub/irs-drop/rp-24-25.pdf
https://www.morganlewis.com/pubs/2024/10/irs-announces-increased-gift-and-estate-tax-exemption-amounts-for-2025
S:/Fcmadvisors/Forms and Handouts/2024 2025 Contributions Limits

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.

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.

New RX resource for low drug prices: Did you know there is a new website which Mark Cuban has rolled out where you can now search drug prices on many prescriptions to get transparent low prices! We have had many clients successfully find cost savings by utilizing this website for their needs. Go to Costplusdrugs.com

MARK CUBAN
CostPlus
DRUG COMPANY

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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September 2024

Market Update

(all values as of 08.30.2024)

Stock Indices:

Dow Jones	41,563
S&P 500	5,648
Nasdaq	17,713

Bond Sector Yields:

2 Yr Treasury	3.91%
10 Yr Treasury	3.91%
10 Yr Municipal	2.70%
High Yield	6.92%

YTD Market Returns:

Dow Jones	10.28%
S&P 500	18.42%
Nasdaq	18.00%
MSCI-EAFE	9.72%
MSCI-Europe	9.81%
MSCI-Pacific	9.34%
MSCI-Emg Mkt	7.44%
US Agg Bond	3.07%
US Corp Bond	3.49%
US Gov't Bond	2.95%

Commodity Prices:

Gold	2,535
Silver	29.24
Oil (WTI)	73.65

Currencies:

Dollar / Euro	1.10
Dollar / Pound	1.31
Yen / Dollar	144.79
Canadian /Dollar	0.74

Macro Overview

There is a growing concern that the Fed may not have been as responsive as it should have in responding to slowing economic data numbers, prompting some economists and analysts to increase the possibility of an economic slowdown or recession. Economic indicators released in August are starting to illustrate a slowing economy as consumers pull back and employers scale back on hiring.

The U.S. dollar is expected to decline versus other major currencies as rates start to decline, altering the financial dynamics of emerging markets, which can boost investor flows to emerging markets. A weakening dollar can also bring about indirect inflationary pressures as imported products and goods become more expensive for U.S. consumers. Concurrently, U.S exports become more competitive overseas as a weaker dollar makes U.S. exports less expensive.

China's economic slowdown is reducing demand for commodities worldwide which is deflationary and representative of slowing global demand for goods and products. The price of various commodities including copper, aluminum and lumber, which are indicative of economic conditions, have fallen over the past few months. China is a significant buyer of these commodities.

Federal Reserve Chair Jerome Powell indicated that the Fed is intent on starting to reduce interest rates in September, as a result of diminishing inflation and a weakening labor market. A slowing hiring rate along with an increasing unemployment rate have prompted the Fed to commence its rate reduction strategy with the possibly of a greater than expected initial rate reduction. Some economists and analysts are questioning whether the Fed is reducing rates due to lessening inflation or a slowing economic environment.

Federal debt as a percentage of Gross Domestic Product (GDP) is expected to exceed the record set 80 years ago as additional debt is issued and economic expansion slows. It is projected that government debt held by the public will rise above 100% of GDP by 2025.

The hiring rate by employers has now fallen to the point that of the 1.32 million people who have entered the labor market over the past year, only 57,000 have been able to obtain a job, resulting in 96% of those entering the workforce not having found a job. Companies have been reducing job openings and hiring, adding to a languished labor market.

Contrary to a generalized belief, corporate income tax receipts have actually been increasing. Federal taxes paid by U.S. corporations have increased over the past three presidential administrations. Corporate tax receipts have increased to over $409 billion in 2023, up from $311 billion in 2016.

The anticipation of lower rates in September as the Federal Reserve initiates its rate reduction strategy, has already begun to indirectly lower interest rates on some consumer loans and mortgages. The average rate on a 30-year conforming mortgage fell to 6.35% at the end of August, down from 7.79% in October 2023. Analysts expect rates to fall further once the Fed commences the reduction of the Fed Funds Rate. (Sources: FreddieMac, Federal Reserve, Dept. of Labor)

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THE YIELD ON THE 2 YEAR AND 10 YEAR TREASURY WERE THE SAME AT THE END OF AUGUST

Stocks Experience Volatility Spike In August – Domestic Equity Overview

Major indices experienced a spike in volatility during August, as a tumultuous sell off early in the month affected nearly every sector of the market. Equity prices recuperated later in the month with the S&P 500 Index advancing 2.4% for August and the Dow Jones Industrial Average gaining 1.76% for the month. The tech heavy Nasdaq Composite Index was up 0.7% in August, as technology sector companies saw the most volatility.

The arrival of lower rates initiated by the Federal Reserve in September is expected to alleviate interest debt loads for smaller capitalized companies as servicing on debt becomes less costly. Overall, a lower interest rate environment assists small to large capitalized companies with costs, debt, and expenses.

Sources: Dow Jones, S&P, Nasdaq

Rates On Track To Continue Heading Lower – Fixed Income Overview

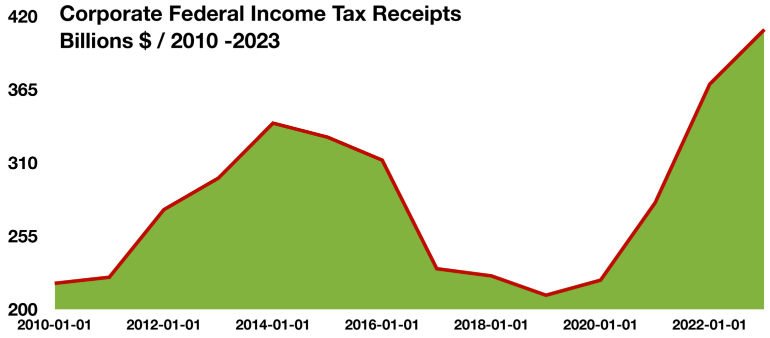
Interest rates on certain consumer loans including mortgages and auto loans began to gravitate lower in August in anticipation of the Fed's objective to begin lowering the Fed Funds Rate in September. Treasury and corporate bond yields fell in August as some analysts expected a larger initial rate cut by the Fed than originally expected.

The yield on the 10-year U.S. Treasury bond ended August at 3.91%, down from 4.09% at the end of July. Yields on shorter term as well as longer term Treasury bonds also fell, normalizing the yield curve from an inverted curve, when short-term yields are higher than longer term yields. The yield on the 2-year Treasury bond ended August at 3.91%, the same as the 10-year Treasury bond yield.

Sources: U.S. Treasury, Federal Reserve

Corporate Income Taxes Have Actually Been Increasing – Taxation

An escalating debate surrounding taxes imposed on U.S. corporations has evolved as the presidential election approaches. The federal government receives taxes from both individuals and corporations based on taxation rates and income calculations. Contrary to popular belief, receipts on corporate income taxes have actually risen over the past three presidential administrations.



The primary factors affecting corporate tax revenue include corporate tax rates and economic conditions. Corporations tend to have larger profitability during periods of economic expansion thus paying more in corporate taxes regardless of the tax rate. A slowing economy as well as lower corporate tax rates can also reduce corporate tax receipts. Arguments have been made where lower corporate tax rates during slowing economic environments may help stimulate the economy whereas companies have been enticed to hire and invest more.

Sources: U.S. Treasury, IRS

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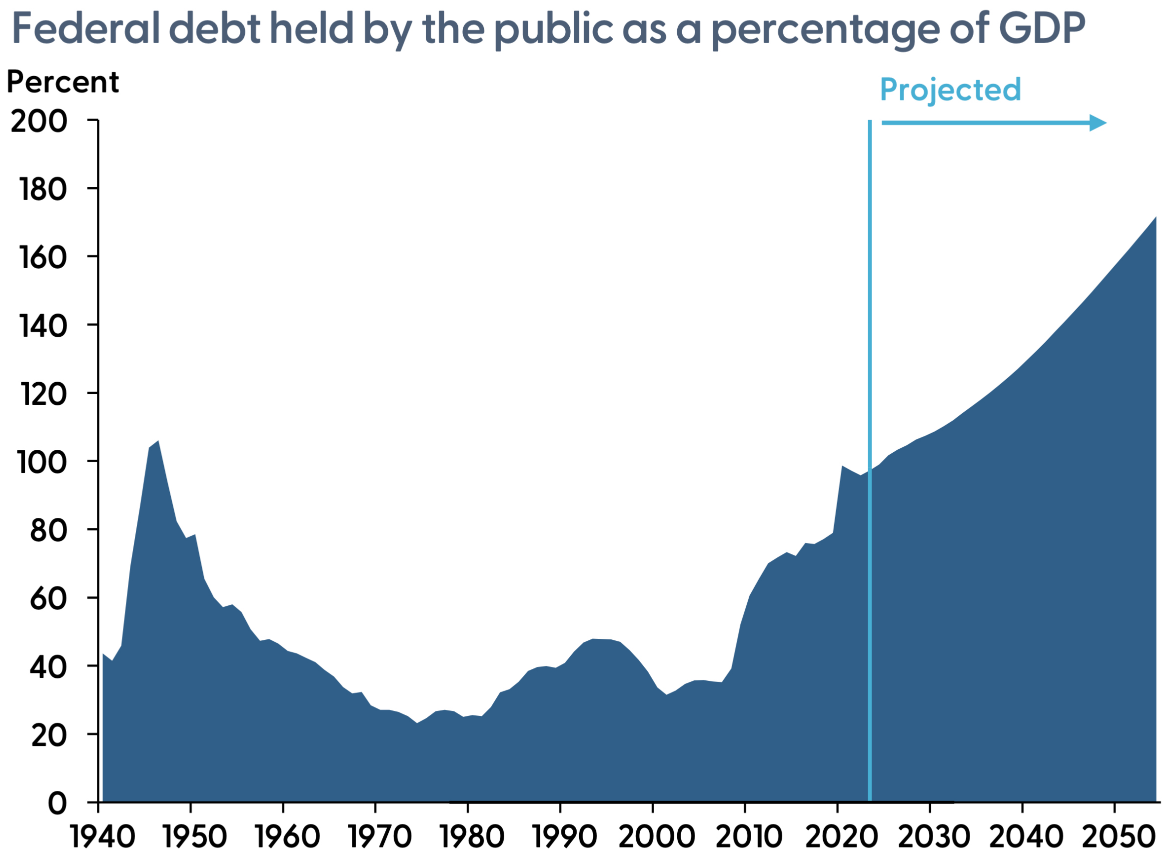
DEBT HELD BY THE PUBLIC WILL RISE ABOVE 100% OF GDP BY 2025

Total U.S. Debt as % of GDP Projected to Surpass 100% By 2025 – Fiscal Policy

Federal debt held by the public as a percentage of GDP is projected to exceed 100% in the next year or two. The Congressional Budget Office (CBO) projects that debt held by the public will rise above 100% of GDP by 2025. Debt held by the public was 97% of GDP at the end of fiscal year 2023, and is projected to exceed GDP by 100% or greater in 2025.



The federal government issues debt on an ongoing basis for operating expenses and to meet obligations such as social security benefits and medicare payments. A rapidly growing expense has been interest payments on debt including Treasury bonds and notes. Slowing economic growth reduces tax revenue from individuals and corporations as income drops and tax receipts fall.

The debt-to-GDP ratio is a key economic indicator that measures a country's government debt in relation to its gross domestic product (GDP). The debt-to-GDP ratio is calculated by dividing a country's total government debt by its gross domestic product.

After peaking at over 100% in 1945 and 1946, the debt-to-GDP ratio gradually fell over the next three decades to only around 25% by 1975. The United States was able to reduce its post-WWII debt ratio from a historic high of over 100% in 1946 to a historic low of roughly 25% in 1975 by a combination of a balanced primary budget and economic growth that surpassed the interest rate on debt.

Sources: CBO, U.S. Treasury, Federal Reserve

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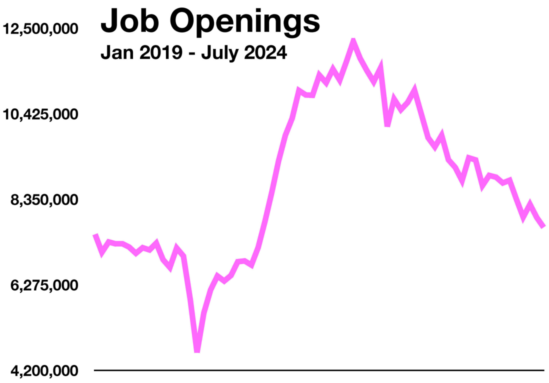
JOB OPENINGS FELL TO 7.7 MILLION

Job Openings Are Falling – Labor Market Overview

U.S. job openings fell to the lowest level in three and a half years and returned to pre-pandemic levels in another sign the labor market has softened and that people can't find work as easily. Job openings fell to 7.7 million in July from a downwardly revised 7.9 million in June, the Labor Department reported at the end of August. New openings have fallen steadily from a record 12 million in 2022 following the pandemic with fewer industries hiring and jobs becoming harder to obtain.



All age groups as well full-time and part-time positions have become increasingly challenged as companies scale back and curtail workforce size and previous expansion plans. Department of Labor data has also revealed that some companies are increasingly laying off workers as well as curtailing hiring. Slowing economic conditions and shrinking profitability margins for numerous companies have intensified the growing lack of employment opportunities. (Sources: Dept. of Labor, Federal Reserve)

How A Weak Dollar Affects The U.S. Economy – Currency Overview

With the anticipation of the Fed initiating its rate reduction objective in September, expectations are that the U.S. dollar will also begin to fall as well. Historically, nearly every time that interest rates have fallen in the U.S., the dollar has also fallen relative to other country currencies.

A weaker dollar can trigger numerous dynamics for the U.S. economy, as the nation's currency theoretically becomes less valuable yet offering some benefits to the economy. Since an enormous amount of what U.S. consumers buy is imported, a weaker dollar makes these imports more expensive because a weaker dollar is able to purchase less. The higher import costs can also lead to inflationary pressures for consumers.

Fortunately, a weaker dollar makes U.S. products and goods more competitive globally as the price of U.S. exports fall. A weak dollar has historically stimulated U.S. exports over the decades, yet has also created a challenge for consumers and companies reliant on imports which in-turn become more expensive. (Sources: Fed, U.S. Treasury, Commerce Dept.)