With indexes hitting all time highs, the underlying drivers continue to support current valuations. Today's inflation report, the favored Fed gauge, PCE reading - personal consumption expenditures - came in as expected. 2.5% for the 12 months through February. Core prices, excluding volatile food and energy, rose 2.8% for the period. The inflation trend is lower, albeit following years of very hot numbers. The Fed's target for the balance of 2024 is for three interest rate cuts, with the overall goal for a 2% inflation rate. The Fed's attempt to tame inflation without sending the economy into recession is on track, and reflected in current equity and fixed income prices. Nothing set in stone on the three cuts. All is evolving, and contingent on the data that the Fed analyzes. It could be one cut and done if the economy continues to grow and/or inflation does not cool. The first quarter returns: DJIA 5.6%, S&P 500 jumped 10.2%, while the NASDAQ returned 9.1%.

In the 1q24 preview, I expressed some concerns regarding consumer debt, specifically revolving credit card debt. An ongoing apprehension is the rapidly expanding US Government debt, which can lead to persistent inflation. One method being employed to control the impact of the ballooning debt since the initiation of the pandemic involves keeping interest rates extremely low, which can keep real yields (the yield earned net of inflation) in negative territory. This benefit has been fading with the rapid increase in the Fed Funds rate by the Fed over the last several years to combat the resulting inflation. The obvious debt reduction strategy involves a cut in spending and/ or an increase in taxes. Pandemic related spending has slowed significantly, and tax receipts are up with the strong economy - both contributing to a slower rate of debt growth. Bottom line, debt continues to grow at a pace where each additional dollar of debt leads to less than a dollar's worth of growth - at an increasing rate. Too much debt is a weight on economic growth, and a threat to the creditworthiness of the US Government/ Dollar.

In the artificial intelligence race, Nvidia's lead may continue with the recent introduction of its Blackwell GPU processor, with significant advancements in AI model training and interface speeds. The adoption of these chips - which are considerably less expensive than its predecessor - also consume less energy. Accelerated computing from Nvidia and others will drive quantum computing and generative AI capabilities to new heights. AMD, Qualcomm - along with other large cap chip makers will provide the competition in the hardware space. Microsoft, with its office productivity software/ Copilot, will most probably lead in the software space. An expanding relationship with OpenAI has resulted in unfathomable technologies - such as a generative AI tool for businesses to combat cyber security attacks. On April 1, Microsoft and Open AI are to announce a $100 Billion project that will focus on advanced technologies to power AI tools. The general consensus among analysts is that customers are not going to want to jump around to various enterprise applications for AI. In the main, users will use/ log into one or two applications. Microsoft will probably dominate the software side of AI. Truly an amazing period we are witnessing. There will be increasing competition, legal challenges and a host of serious issues that will in all probability require regulation.

On a darker note, the geopolitical situation around the globe continues troubling on many levels. The pre-determined presidential election in Russia, with Vladimir Putin receiving a record 87.3% of the vote, signals an emboldened stance for a prolonged confrontation with Ukraine and ongoing tensions with the west. Taiwan, the Middle East and other areas in conflict or contention remain problematic. Very unfortunate circumstances, all while our military might is being eroded through lack of allocation of funds from the last two administrations. Deterrence through strength and readiness in an increasingly hostile world might be the best option.

A few words on search engine optimization and spoofed sites. The scam: creating a very convincing website, that appears to be a legitimate business, including financial institutions. Deceptive sites can pose serious risks by exposing you/ your computer to malware, identity theft, and financial loss. Suggest using bookmarks for websites, particularly financial sites, once you have verified or typed in the site address. Fraudulent sites are now showing up near the top of searches. On common practice – upon logging in to a fraudulent site – you might get a message your account has been hacked, and to call a phone# immediately. The person on the other end will likely attempt to gain control of your computer, or obtain confidential information such as a user name and password. Best to play it safe: Hang up and call the institution at a known phone number to verify if you really think you have been compromised.

Please call or email anytime if I can be of assistance. Thank you. Will Ramsdell

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