



Data Point Ping Pong

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Did You Know? Weather Forecasting

The first weather forecasts from the federal government came out in the 1870s. Back then, what's now the National Weather Service aimed mostly to alert people to storms along the "the northern lakes and the seacoast."

Research has shown that a five-day forecast today is generally as accurate as a 24-hour forecast in 1980.

Forecasters can usually forecast your next-day temp within about 2 to 3 degrees of accuracy. For example, if your forecast high is 60 today, that means the high will usually land between 57 and 63 degrees.

A 5-day forecast can accurately predict the weather approximately 90% of the time

A 7-day forecast can accurately predict the weather about 80% of the time

A 10-day, or longer, forecast is only right about half the time.

According to the National Hurricane Center, the avg 3-day track error of a tropical storm or hurricane in the 1980s was 400 miles. Today, it's 85 miles.

Top 3 cities with most unpredictable weather are:

1. Rapid City, South Dakota
2. Great Falls, Montana
3. Houghton, Michigan

Source: Weather.com



Investment markets took a pause in April, producing the first negative month for US stocks, in 2024. The Dow fell -5.0% while the S&P 500 and Nasdaq dropped -4.2% and -4.4% respectively. Overseas stocks also pulled back, as did US bond markets. Elevated stock market valuations, sticky inflation that continues to kick rate cuts down the road, and escalating tensions in the Middle East are some of the key reasons for the pullback.

We could also add in slowing economic growth and a recent disappointing jobs report. But all together it's a mish-mash of data that creates this ping-pong effect where positive numbers seem bad, and negative numbers can be helpful, and the ball doesn't seem to land anywhere for interest rates. Many see lower rates as a good sign for consumers and for tech giants to push the stock market higher. Others feel if rates drop too early or without the right foundation, it could rekindle inflation causing future rate *hikes* and restarting the strain for consumer and corporate checkbooks.

Turn on any news station and you can hear this debate take place. The issue is that the Fed has said that they are dependent on data to make any rate decision... and we keep getting conflicting data. Slowing economic growth and fewer jobs support a rate cut. But the Fed's preferred gauge for inflation clocked in at 3.4% in the 1st quarter, nearly double the 1.8% pace for the 4th quarter, suggesting rates may stay higher for longer.

It can look like a ping pong match that will never end. As soon as one side gets a leg up, the other side comes back, and the cycle repeats. But the real key to winning at ping pong is about 1) understanding ball spin, 2) good footwork, and 3) aiming for the corner angles of the table.

Similar strategies that we can apply to client portfolios. First, it seems unlikely that companies like Nvidia can spin out another 200% gain this year. The impact that AI has had on corporate earnings and markets is nothing short of amazing. However, as investor appetite for even more growth increases, it's likely that expectations will eventually fall short.

While that's not a deal breaker for the tech investing long game, it brings up our second key point: there is full basket of economic sectors for investing. From global infrastructure to US based utilities, companies and industries supporting basic needs, continue their slow, steady growth. And service industries like hotels, restaurants and other experiences, draw consumers who continue to have solid income and growing networks.

The third opportunity can be found in fixed income. In April, the 10-year Treasury note advanced nearly 50 basis points to 4.68%. (bond prices fall as rates rise) It was the largest monthly jump since Sept. 2022. But it's a move that has since reverted back to 4.50% thanks to recent reports. We don't feel like this justifies a Fed rate cut in June, but it does suggest locking in some of these current rate levels, while they're available. It's why we've been intentionally adding quality fixed income, along with preferred stocks and high yield bonds to portfolios. Money market rates are great . . now . . but those rates will adjust to Fed rate cuts, quickly and in real time.

With all of this in mind, when it comes to the ping-pong of data and the back and forth of markets, remember, one point (or one month of market performance) isn't the whole match – it's focusing on the long game where the match can best be won.

Trivia

- 1) Name the shuttle in the first fatal accident of a spacecraft in flight in 1986?
- 2) What is the name of the US volcano that erupted in 1980?
- 3) What sort of car is used as a time machine in Back to the Future?
- 4) Bonus: What was the highest grossing film of the 80s?

"Kick the Can", Washington style.

Like many, I have fond memories of summert games in the neighborhood; Steal the Flag, Red Rover, and Kick the Can. Well, the big kids in Washington, DC continue their semi-adult version of Kick the Can with the 2020 Inherited IRA legislation. Like our main article, leaders ping-pong, back and forth as to when beneficiaries need to take distributions from IRA's inherited after Jan 1, 2020. It's still clear (as of today), that beneficiaries must empty those Inherited IRAs, within 10 years. But it still unclear, as to how funds need to be taken during those 10 years. From cash needs to tax planning, give us a call to find the distribution timing that is right for you.

Gone Fishing . . . Returning June 4th

In celebration of some round-numbered birthdays, my wife and I have planned a trip for the last part of May, returning back to the office June 4th. Should you need anything during my absence, please reach out to my partner Bob Laura (248) 890-0834. Bob and my assistant Lori, will be sure you're well take care.



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MOTHER'S DAY SPECIAL

Mother's Day was established by Anna Reeves Jarvis after her own mother's passing in May 1905. The first celebration took place in West Virginia three years after her passing at Andrews Methodist Episcopal Church. In 1914, President Woodrow Wilson made it a national holiday to be celebrated each second Sunday in May. The white carnation became the official flower of the holiday as Jarvis compared that flower's shape and life cycle to a mother's love. "The carnation does not drop its petals, but hugs them to its heart as it dies, and so too, mothers hug their children to their hearts, their mother love never dying."

Mom Quotes

"If at first you don't succeed, try doing it the way your mom told you to do it from the start." *Anonymous*

"Life doesn't come with a manual. It comes with a mother." *Anonymous*

"Nothing is really lost until your mom can't find it." *Anonymous*

"The most expensive part of having kids is all the wine you have to drink." *Anonymous*

"You know your life has changed when... going to the grocery store by yourself is a vacation." *Anonymous*

"Cleaning with kids in the house is like brushing your teeth with Oreos." *Anonymous*

"I hate when I'm waiting for Mom to cook dinner... then I remember I am Mom." *Anonymous*

"You know you're a mom when you understand why Mama Bear's porridge was too cold." *Anonymous*

Mom Jokes

What did the tree tell her son before a big game? *I'm rooting for you.*

What did the digital clock say to its mother? *"Look, Ma! No hands!"*

What did the mommy spider say to the Baby spider? *You spend too much time on the web.*

What's the fastest land mammal? *A toddler who's been asked what's in their mouth.*

For Pet Moms

"Sometimes the smallest things take up the most room in your heart." *Winnie the Pooh*

"The littlest feet make the biggest footprints in our hearts." *Anonymous*

Trivia Answers

- 1) Challenger
- 2) Mount St. Helen's
- 3) DeLorean
- 4) ET

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