# WJ Charts of the Month

August 2024

WJ Interests
WEALTH ADVISORS

# WJ Charts of the Month Intro

"WJ Charts of the Month" is a comprehensive monthly slide deck designed to showcase recent significant financial events and data. The presentation is organized into four sections, beginning with a "Highlights" slide that sets the stage for the subsequent content.

**1. What Happened Last Month:** This section features a curated collection of charts and images from various publications, offering a visual summary of the previous month's key events.

**2. WJ State of the Economy:** Our team at WJ has created an array of charts to emphasize crucial economic factors and trends.

**3. WJ State of the Markets:** Similarly, this section comprises a series of charts crafted by WJ to provide an overview of the core markets we monitor.

We strive to maintain consistency across the charts to facilitate easy comparison month-over-month. However, we may adjust or emphasize specific charts if their relevance shifts over time.

Our objective with this publication is to establish a "One-Stop Shop" for the most vital financial information, presented in a concise and easily digestible format. **We value your feedback to help us achieve this goal.** If you have suggestions regarding the format, or if there's particular information you'd like to see in future editions, please don't hesitate to let us know.

WJ Interests
WEALTH ADVISORS

# Highlights

[The Fed Pivot]

[Employment Data Revision]

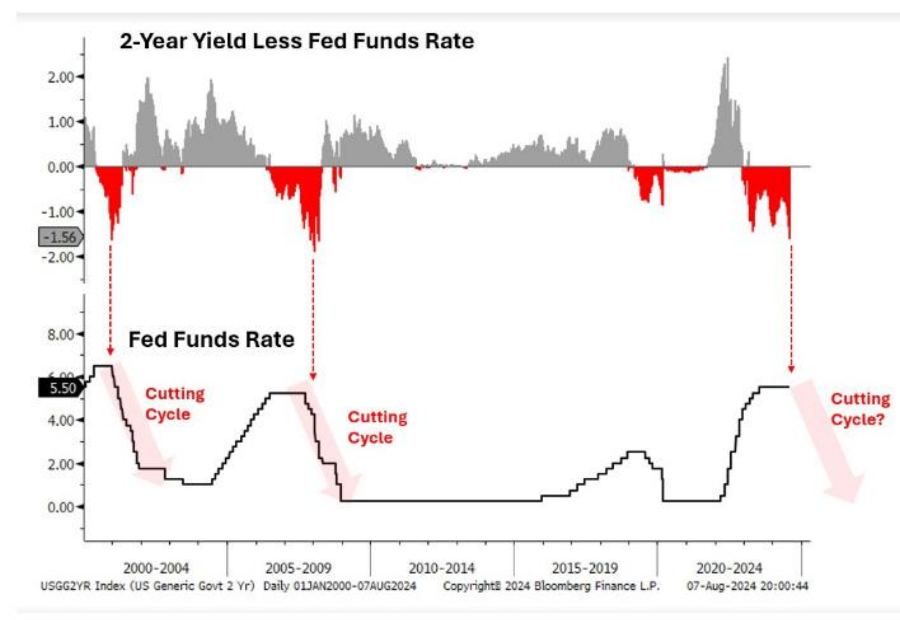
[Blast From the Past]

[NEW Housing Market Slide]

[The Yield Curve Finally Un-inverts]

# What Happened

# The Fed Pivot




The Federal Reserve hosted its annual Jackson Hole Economic Symposium, and Chairman Jerome Powell all but confirmed that they will cut interest rates in September, barring any unforeseen shock. I'll leave you with a key part of his speech below.

Much of this has been priced in by markets. The chart on the right shows the difference between the 2-year treasury yield, and the Fed Funds Rate. When that spread starts to go deeply negative like it is right now, it means cuts are coming.

**The Federal Reserve unveiled its pivot at Jackson Hole...**

> "The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks. We will do everything we can to support a strong labor market as we make further progress toward price stability. With an appropriate dialing back of policy restraint, there is good reason to think that the economy will get back to 2 percent inflation while maintaining a strong labor market." -Federal Reserve Chair Jerome Powell
>
> "It was all inflation, inflation, inflation for a while Now we're starting to see things, the balance of risk, getting more equalized. So we do need to take more into account when it comes to the labor market, for sure....It means this September we need to start a process of moving rates down." -Philadelphia Fed Chief Patrick Harker

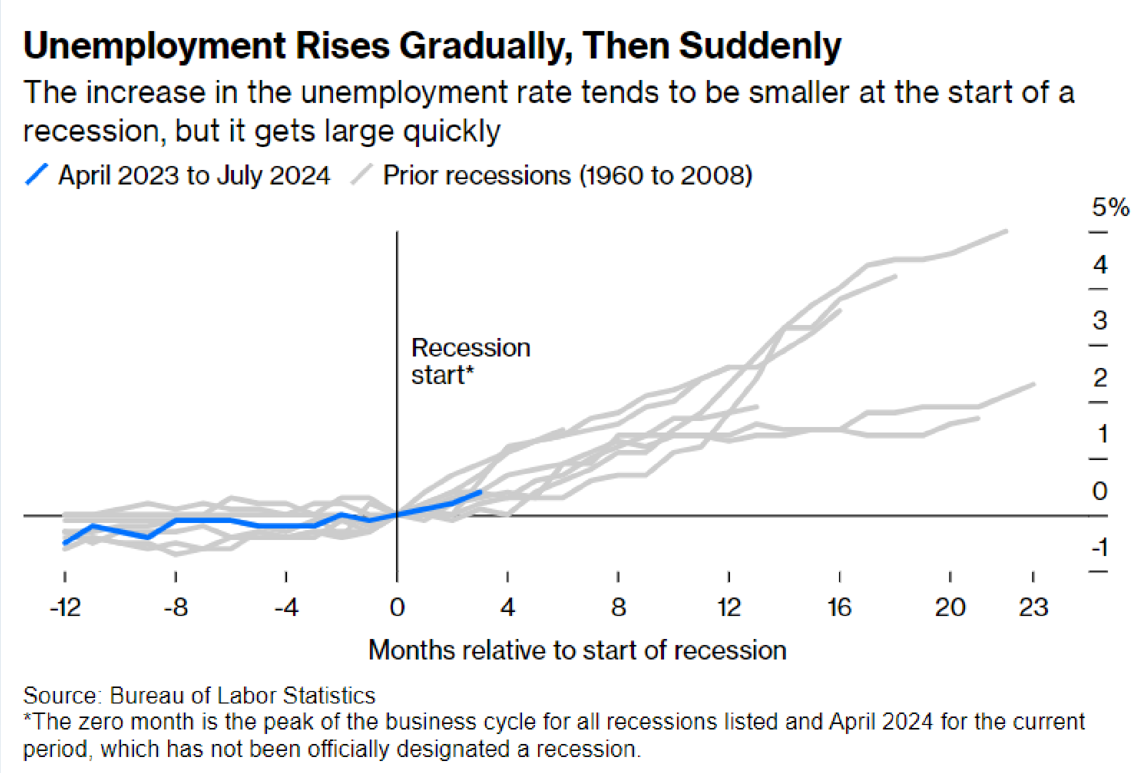
The Transcript

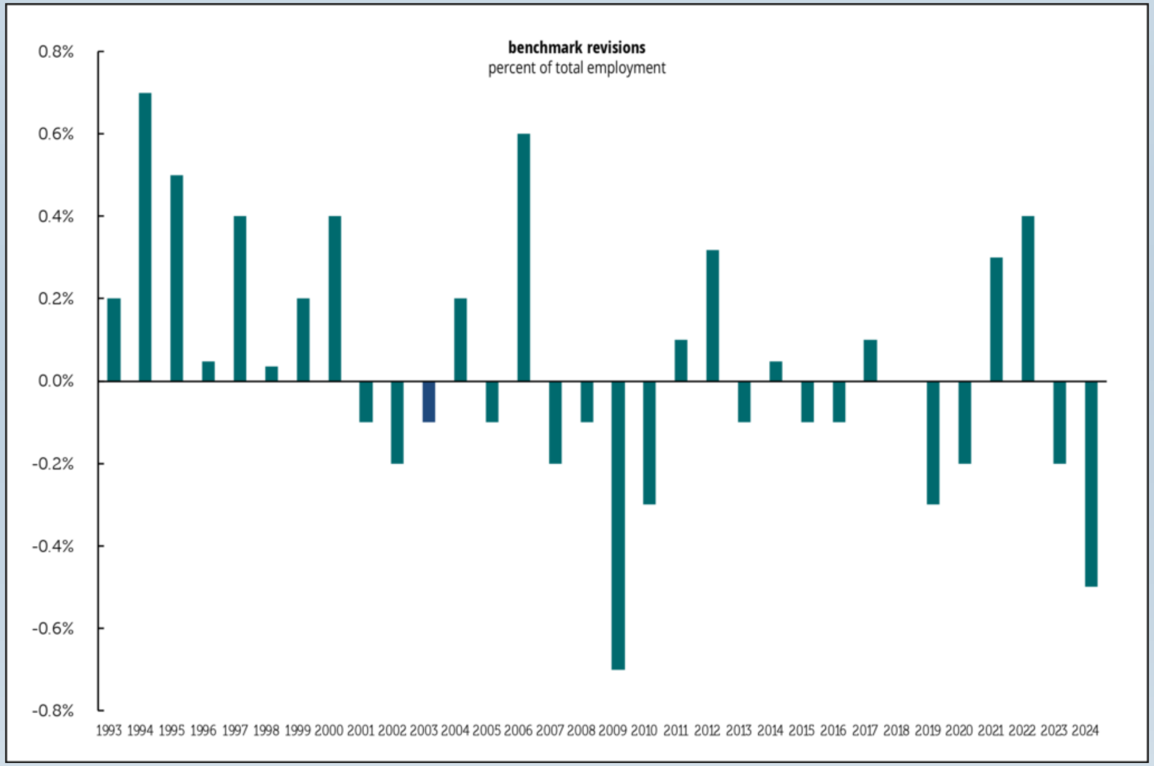
WJ Interests WEALTH ADVISORS

# Employment Scare

July's Non-Farm Payrolls sent a bit of a shock to markets, as the unemployment rate crept to 4.3%. This is still a historically low level, but it's the direction that's concerning.

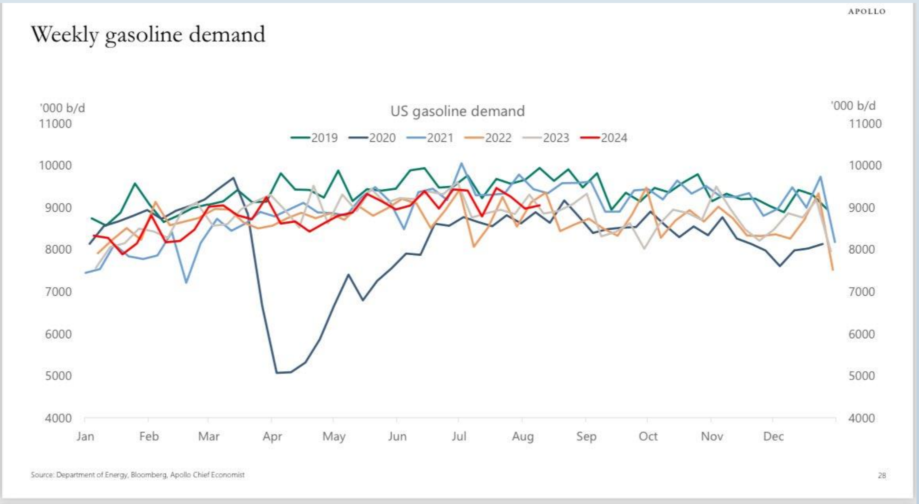
Another notable event was the job numbers revision that erased about 800k jobs we thought we gained over the last year. This was the 5th largest revision, representing about .5% of employment. Taken together, it means the jobs market is still solid, but loosening.

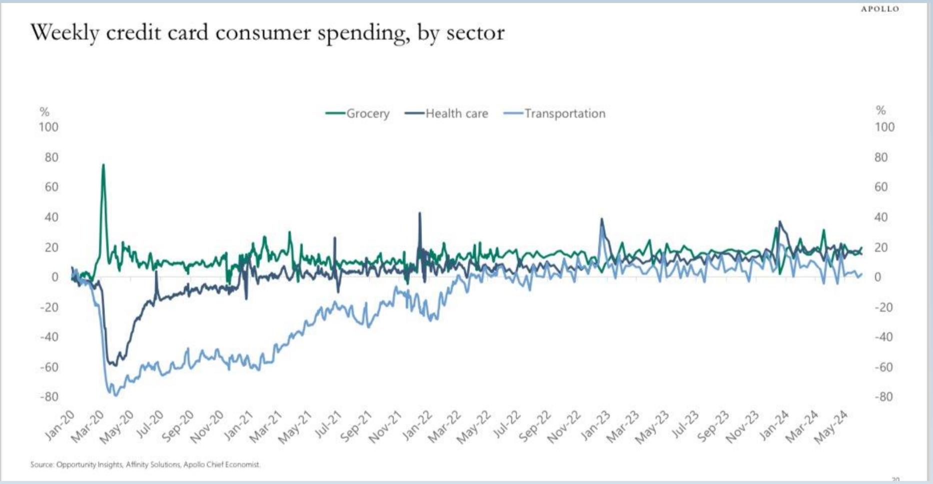



WJ Interests
WEALTH ADVISORS

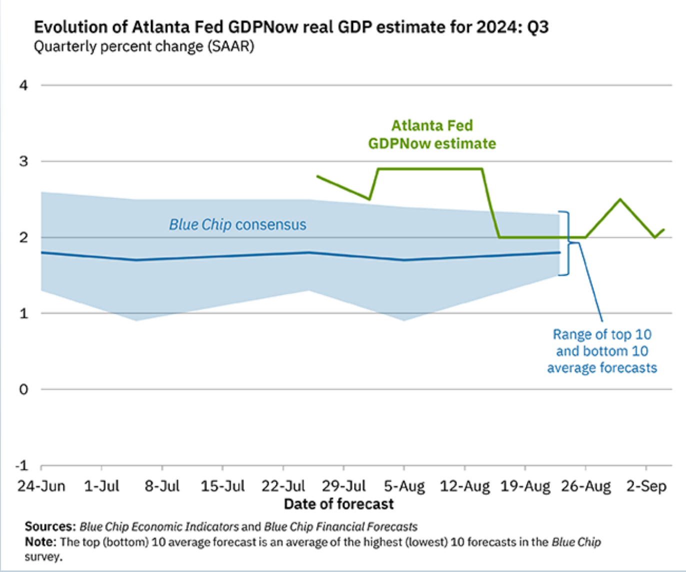
# But Growth Still Good




Q2's Real GDP was revised higher, from 2.8% to 3%. In addition, the Fed's GDP forecasting tool, GDPNow, is estimating growth to be around 2% again for Q3 (right).

So, while there are reasons to be cautious, the economy is not showing signs of recession yet. Rather than rely on GDP projections, its helpful to see consumer behavior in specific areas.





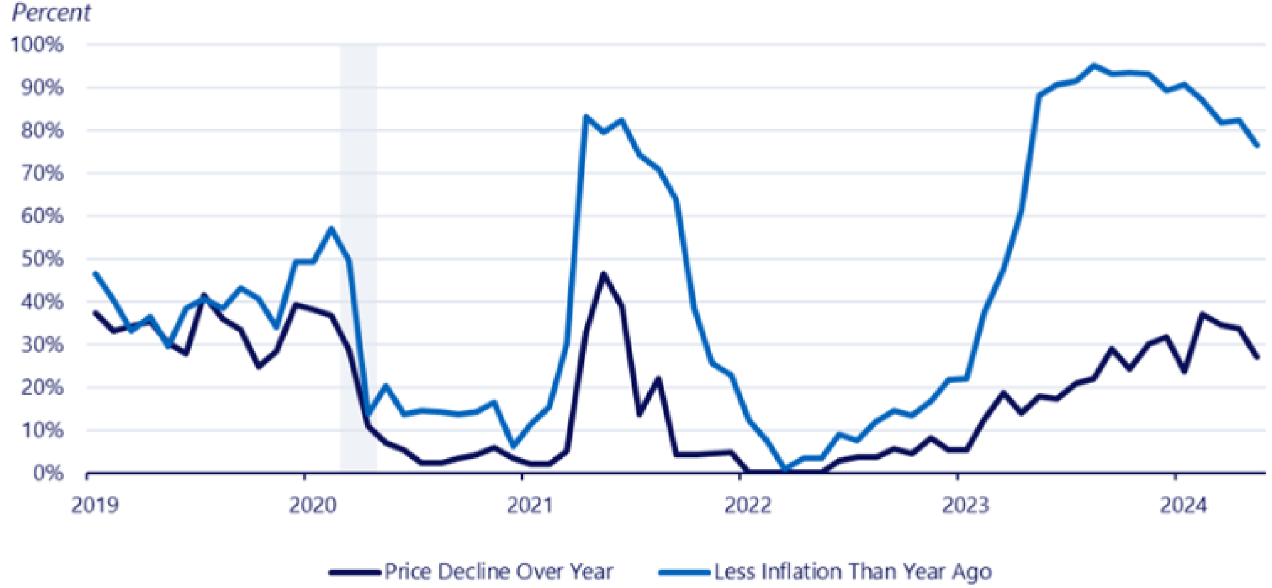
Interests
WEALTH ADVISORS

# Some Grocery Price Relief

Grocery prices are one of the most visible sources of inflation that we have. On average, grocery prices have risen more than 20% over the last few years. Fortunately, there some good news on that front.

The BLS tracks several different individual grocery items and has noted that about 30% are seeing price declines. In addition, with those prices declining and wages continuing to increase, its taking fewer hours of work to purchase a week's worth of groceries.

Figure 2. Share of Grocery Items with Cooler Inflation or Price Declines



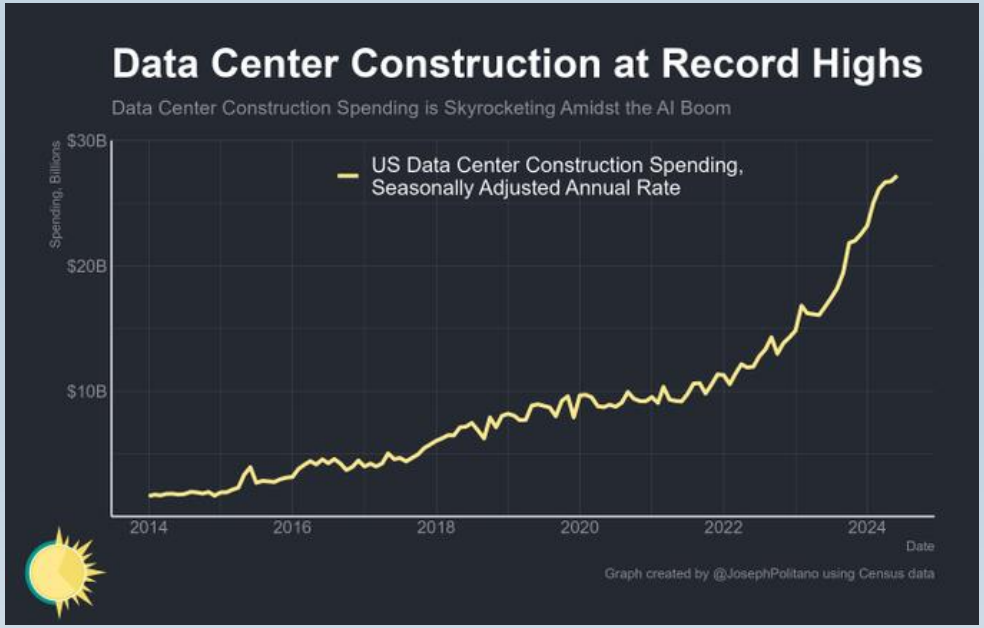

Council of Economic Advisers
Sources: Bureau of Labor Statistics; CEA calculations.
*As of June 12, 2024 at 12:00pm.*

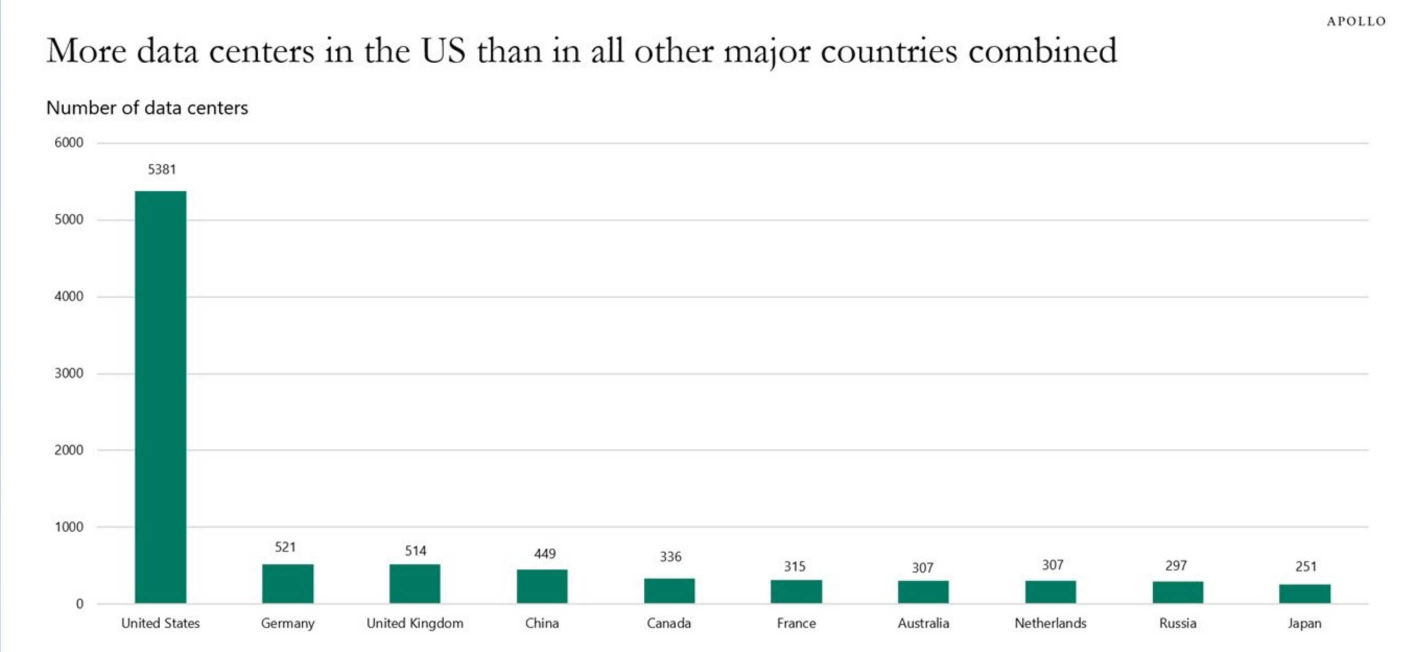
Figure 1. Hours of Work Needed to Purchase A Week's Worth of Groceries


Council of Economic Advisers
Sources: Bureau of Labor Statistics, CEA calculations
Note: Shaded region indicates recession. Nominal groceries expenditures for non-managers in 2022 are adjusted using CPI: food at home, then divided by average hourly earnings for production/nonsupervisory workers.
*As of June 12, 2024 at 12:00pm.*

# Data Centers are a Huge Priority

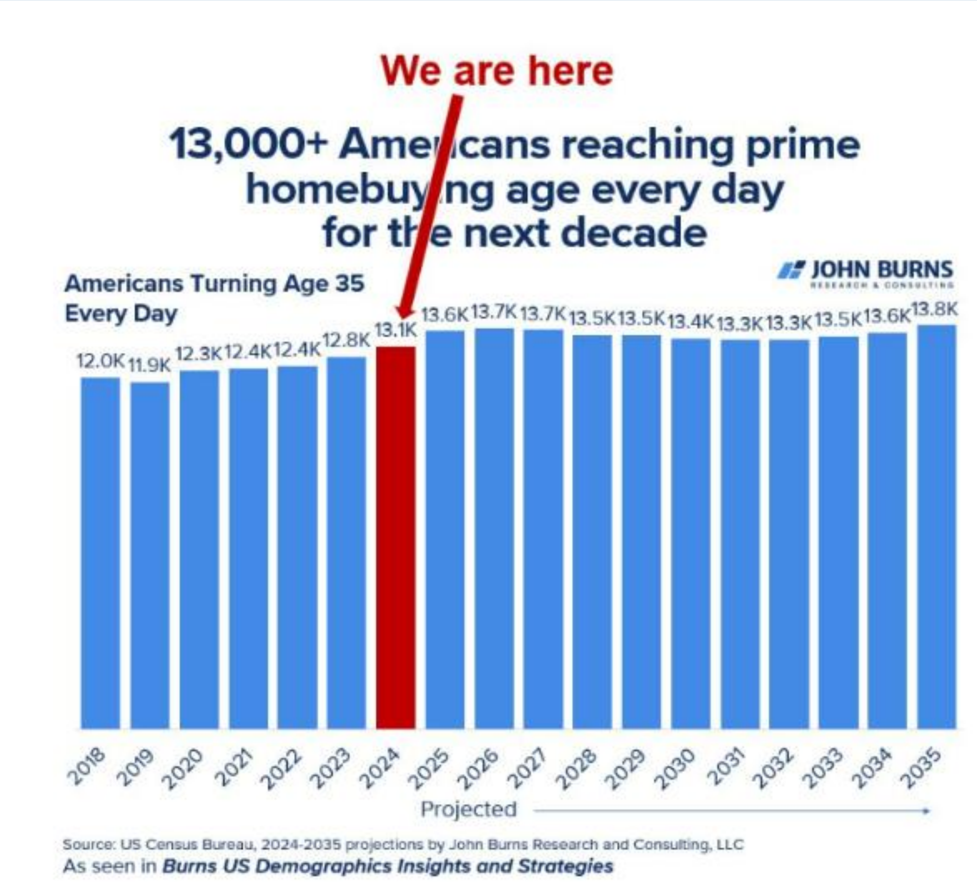
Data centers are important for a variety of reasons, be it data storage, cloud computing, and of course artificial intelligence (AI). The US already has a huge lead in the number of data centers it has vs other countries but has accelerated its construction of new ones.




Interests
WEALTH ADVISORS

# Demand Coming to Housing?

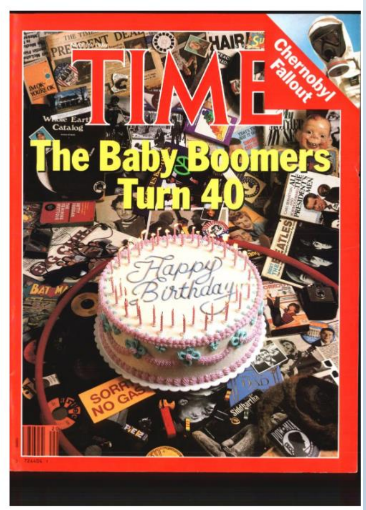



A lot of potential demand is coming to the housing markets by way of demographics. That being said, it certainly hasn't hit yet. Existing and Pending home sales hit near all time lows in July.

It will be interesting to see how this changes as interest rates start coming down.


Interests WEALTH ADVISORS

# Blast From the Past

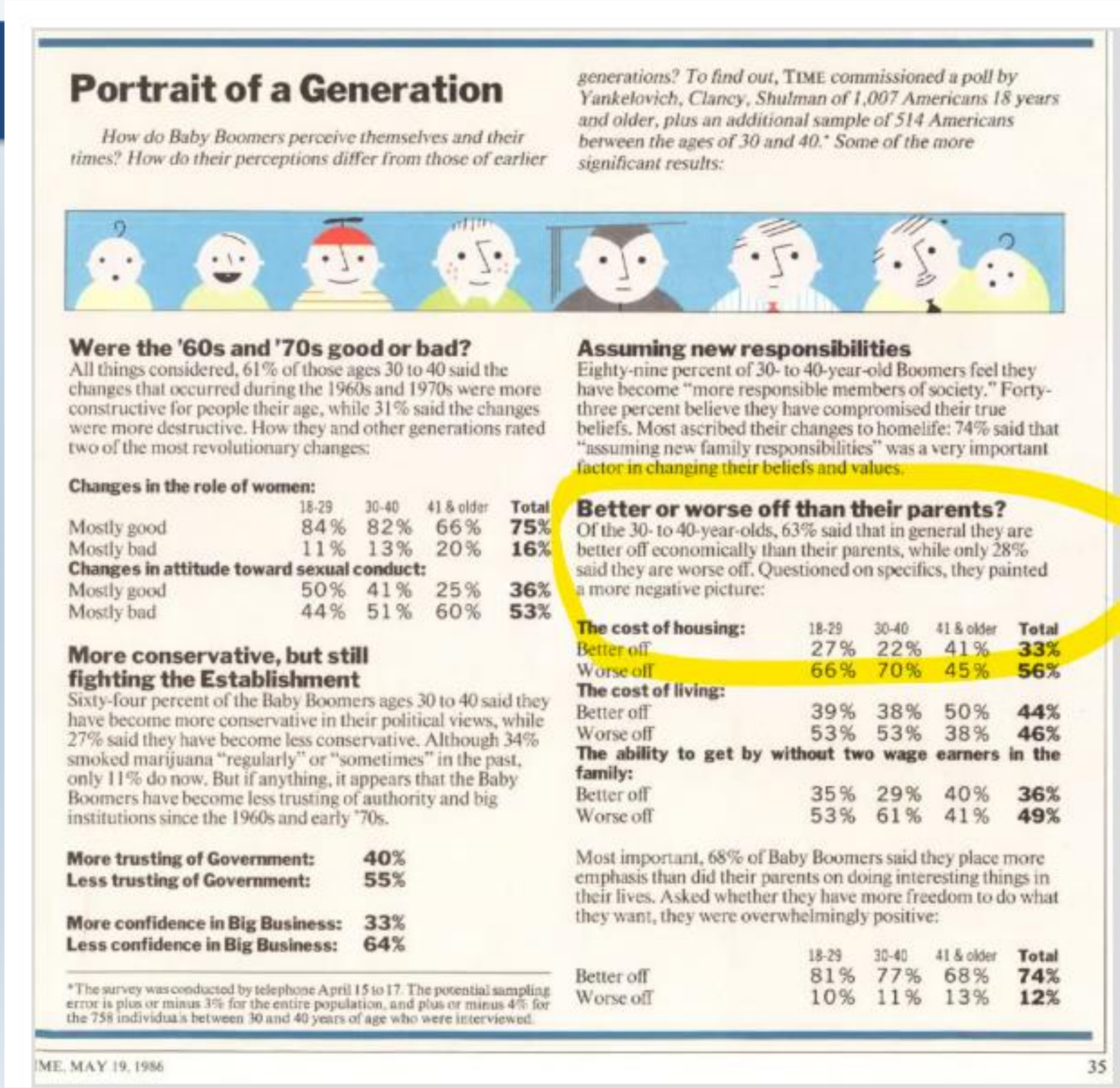



A podcast I follow was sent this magazine from one of their listeners. It's interesting to see how people felt about things back then.

The excerpt below was featured in the piece and paints a pessimistic view of the boomer's future. In reality, this generation would usher in one of the most productive eras for the U.S.

Then as it is now, pessimism sells in media. I posted the image of the survey page to the right. (the yellow circle is not mine)

But the Baby Boomers' great expectations have been diminished by a series of rude social and economic shocks, from the Vietnam War to double-digit inflation. Although the sheer size of the generation provided a sense of solidarity and power, it ultimately proved to be the Baby Boomers' bane. There were simply too many of them to maintain in the style to which millions became accustomed as affluent children of the '50s abd '60s. Egalitarianism might have been the avowed ethic of their youth, but competition was, and still is, the harsh reality. Many bravely refuse to admit it, yet the fact is that many Baby Boomers do not live as well as their parents, and may never.



## Portrait of a Generation

*How do Baby Boomers perceive themselves and their times? How do their perceptions differ from those of earlier generations? To find out, TIME commissioned a poll by Yankelovich, Clancy, Shulman of 1,007 Americans 18 years and older, plus an additional sample of 514 Americans between the ages of 30 and 40.* Some of the more significant results:*

### Were the '60s and '70s good or bad?

All things considered, 61% of those ages 30 to 40 said the changes that occurred during the 1960s and 1970s were more constructive for people their age, while 31% said the changes were more destructive. How they and other generations rated two of the most revolutionary changes:

| | 18-29 | 30-40 | 41 & older | Total |
|---|---|---|---|---|
| **Changes in the role of women:** | | | | |
| Mostly good | 84% | 82% | 66% | **75%** |
| Mostly bad | 11% | 13% | 20% | **16%** |
| **Changes in attitude toward sexual conduct:** | | | | |
| Mostly good | 50% | 41% | 25% | **36%** |
| Mostly bad | 44% | 51% | 60% | **53%** |

### More conservative, but still fighting the Establishment

Sixty-four percent of the Baby Boomers ages 30 to 40 said they have become more conservative in their political views, while 27% said they have become less conservative. Although 34% smoked marijuana "regularly" or "sometimes" in the past, only 11% do now. But if anything, it appears that the Baby Boomers have become less trusting of authority and big institutions since the 1960s and early '70s.

| | |
|---|---|
| **More trusting of Government:** | **40%** |
| **Less trusting of Government:** | **55%** |
| **More confidence in Big Business:** | **33%** |
| **Less confidence in Big Business:** | **64%** |

*The survey was conducted by telephone April 15 to 17. The potential sampling error is plus or minus 3% for the entire population, and plus or minus 4% for the 758 individuals between 30 and 40 years of age who were interviewed.

### Assuming new responsibilities

Eighty-nine percent of 30- to 40-year-old Boomers feel they have become "more responsible members of society." Forty-three percent believe they have compromised their true beliefs. Most ascribed their changes to homelife: 74% said that "assuming new family responsibilities" was a very important factor in changing their beliefs and values.

### Better or worse off than their parents?

Of the 30- to 40-year-olds, 63% said that in general they are better off economically than their parents, while only 28% said they are worse off. Questioned on specifics, they painted a more negative picture:

| | 18-29 | 30-40 | 41 & older | Total |
|---|---|---|---|---|
| **The cost of housing:** | | | | |
| Better off | 27% | 22% | 41% | **33%** |
| Worse off | 66% | 70% | 45% | **56%** |
| **The cost of living:** | | | | |
| Better off | 39% | 38% | 50% | **44%** |
| Worse off | 53% | 53% | 38% | **46%** |
| **The ability to get by without two wage earners in the family:** | | | | |
| Better off | 35% | 29% | 40% | **36%** |
| Worse off | 53% | 61% | 41% | **49%** |

Most important, 68% of Baby Boomers said they place more emphasis than did their parents on doing interesting things in their lives. Asked whether they have more freedom to do what they want, they were overwhelmingly positive:

| | 18-29 | 30-40 | 41 & older | Total |
|---|---|---|---|---|
| Better off | 81% | 77% | 68% | **74%** |
| Worse off | 10% | 11% | 13% | **12%** |

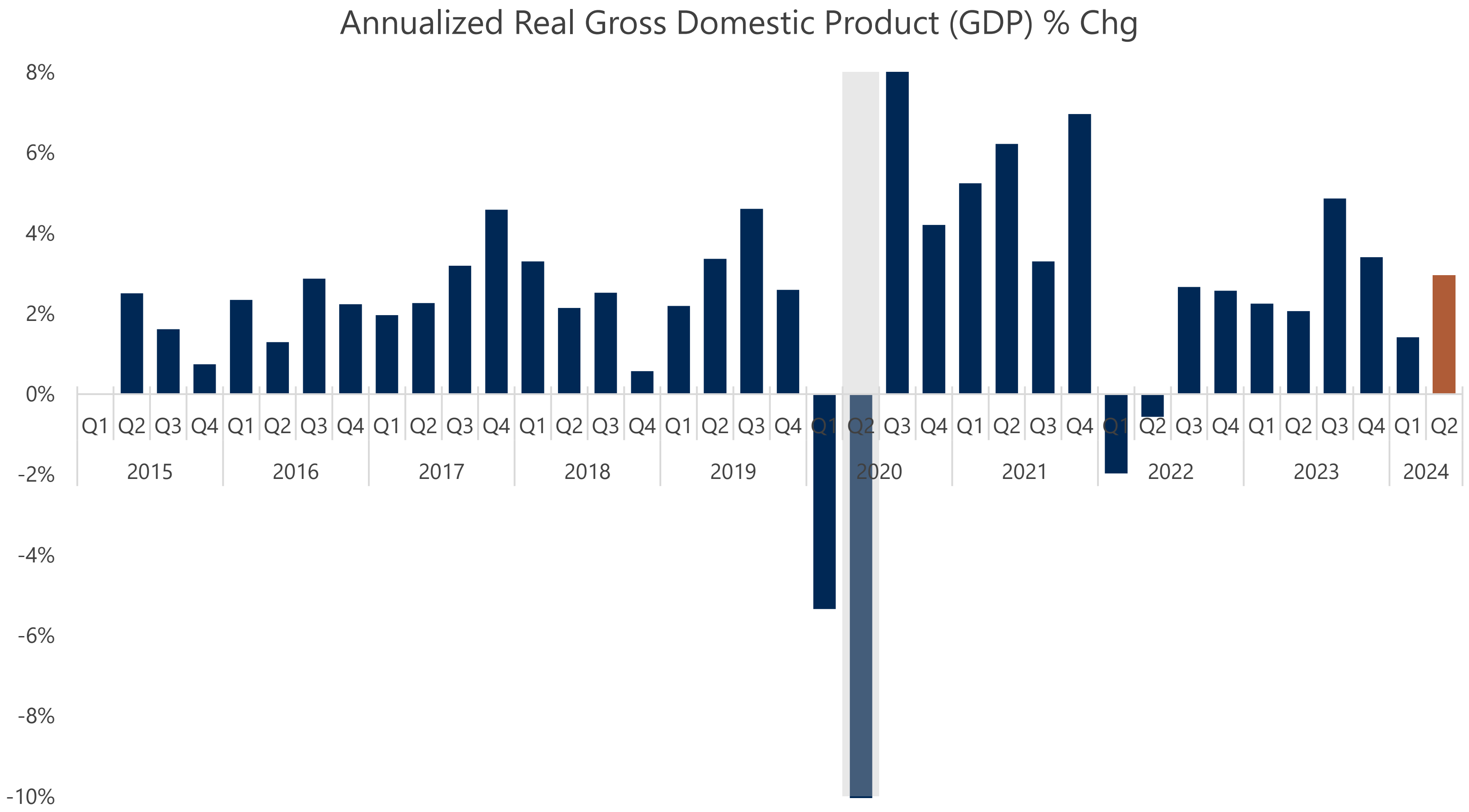


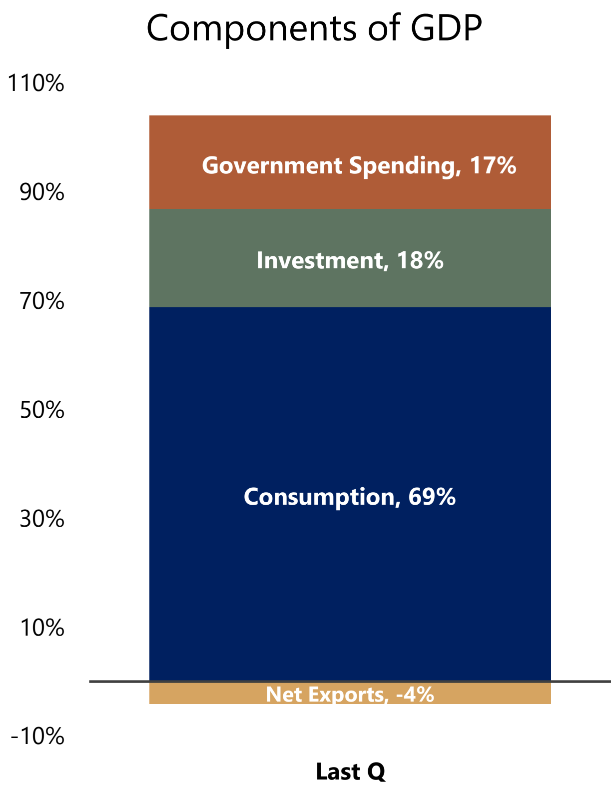
WJ Interests
WEALTH ADVISORS

# WJ State of the Economy

WJ Interests
WEALTH ADVISORS

# Q2 GDP Revised Up to 3%

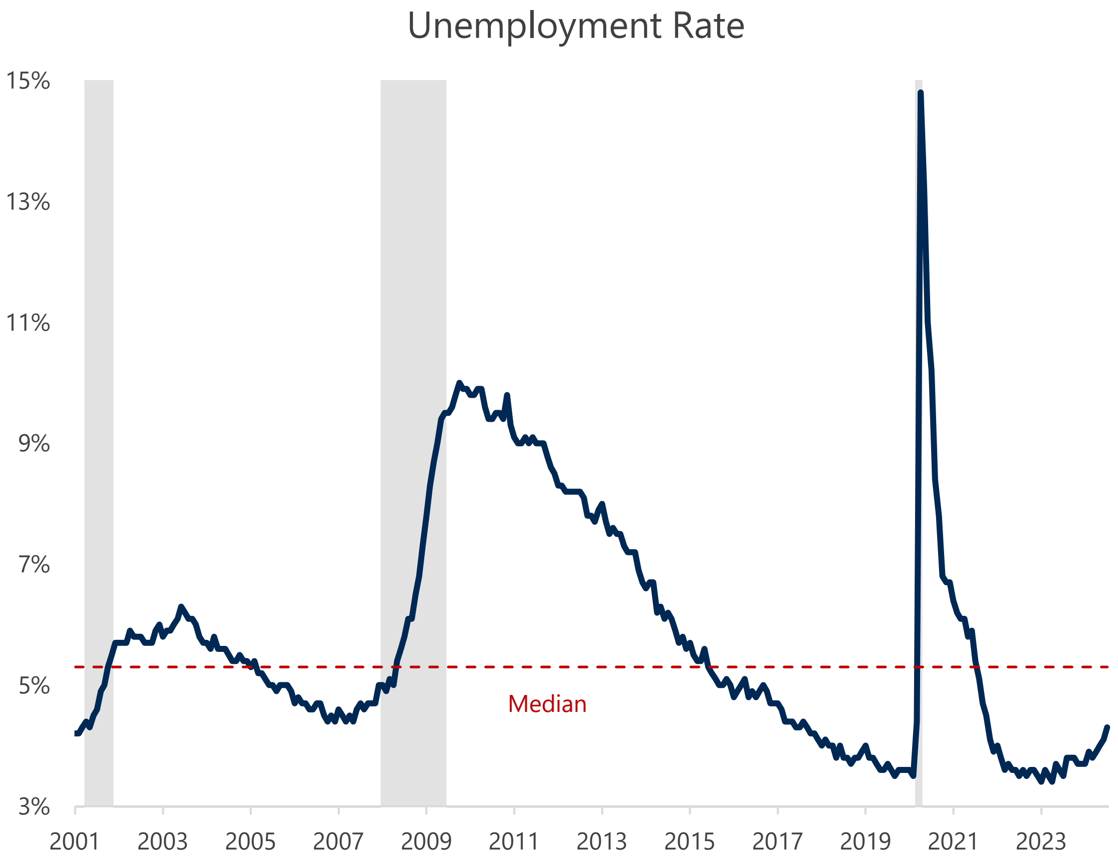





*Source: Federal Reserve Economic Database (FRED). Real Gross Domestic Product (left). Components from U.S. Bureau of Economic Analysis, "Table 1.1.6. Real Gross Domestic Product, Chained Dollars" (right). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough*

# The Jobs Picture is Still Strong Historically, but Slowing

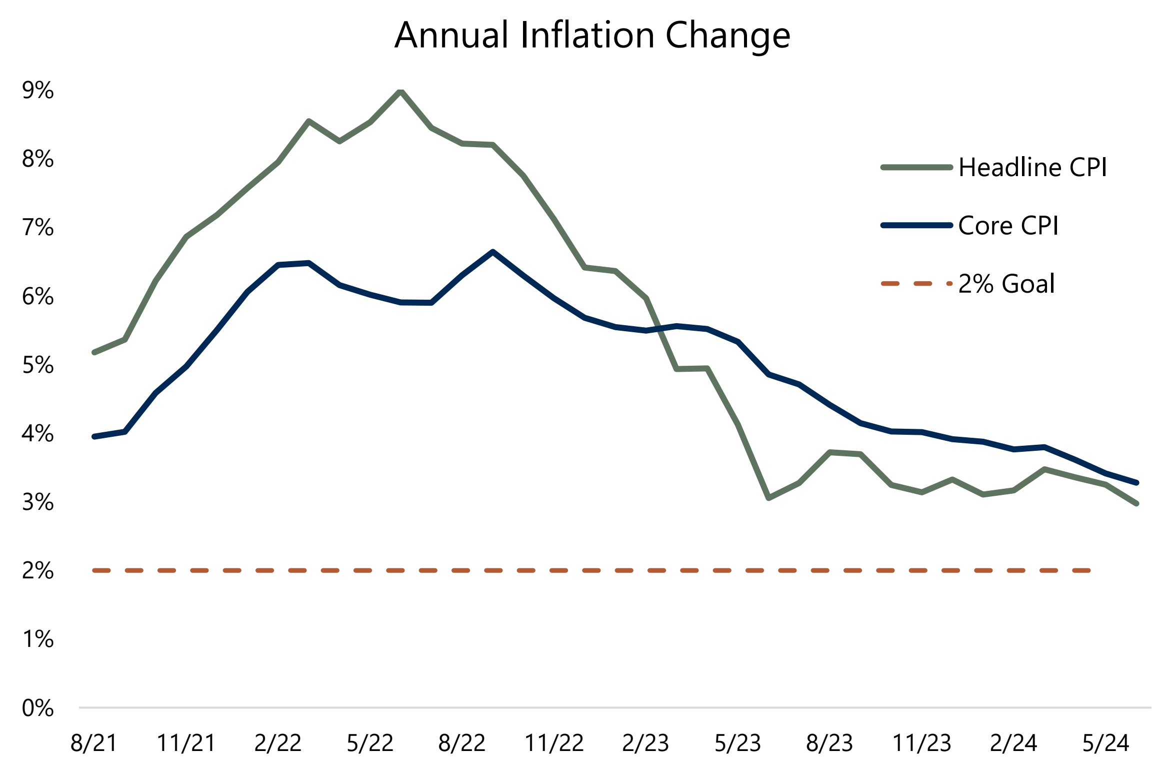


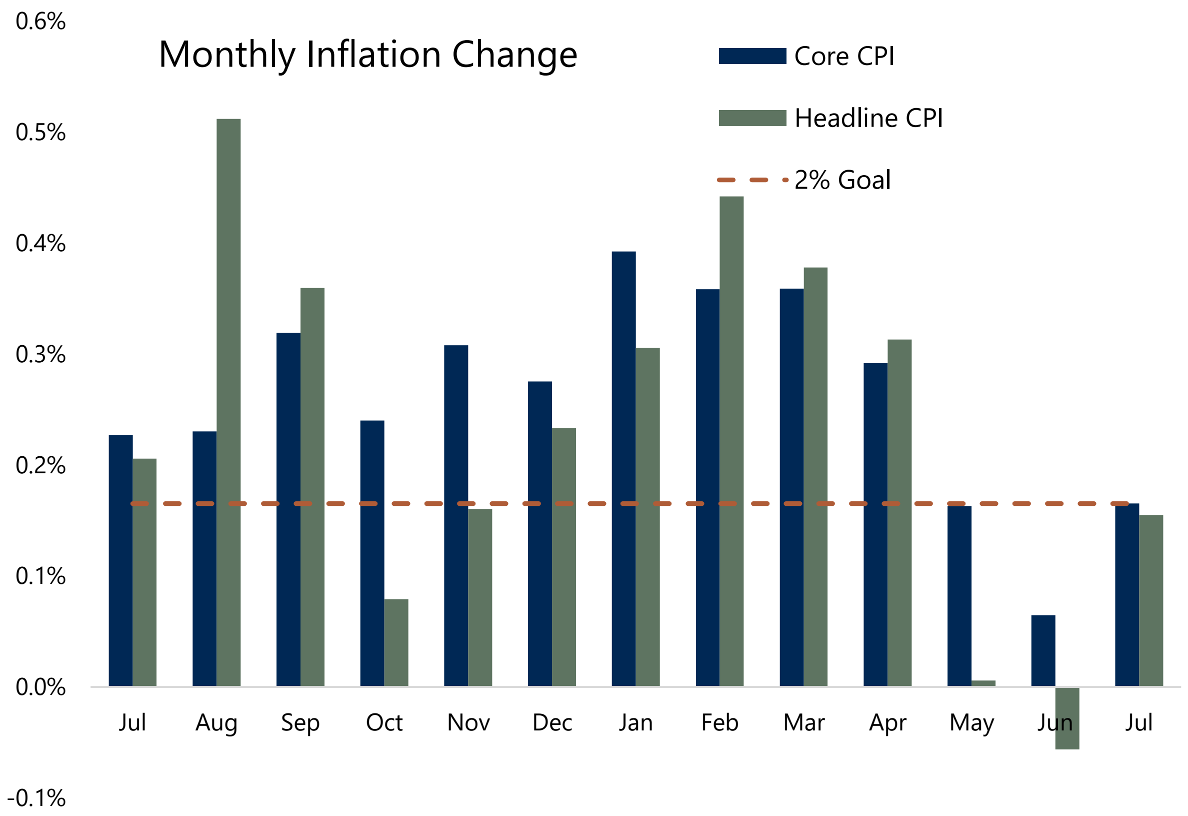


Interests WEALTH ADVISORS

*Source: Federal Reserve Economic Database (FRED). Unemployment Rate (left) and Job Openings: Total Nonfarm divided by Unemployment Level as well as Quits: Total Nonfarm (right). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough*

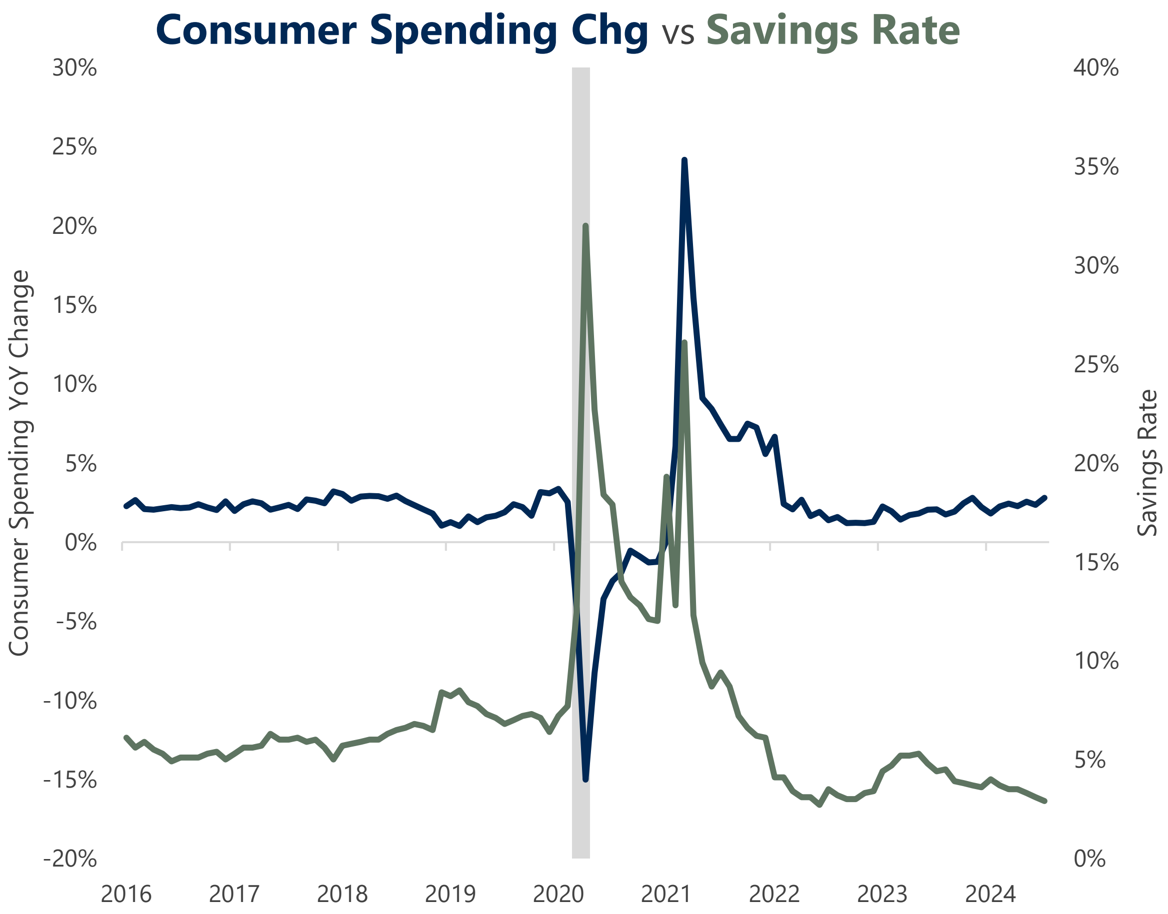
# Inflation Continues Downward

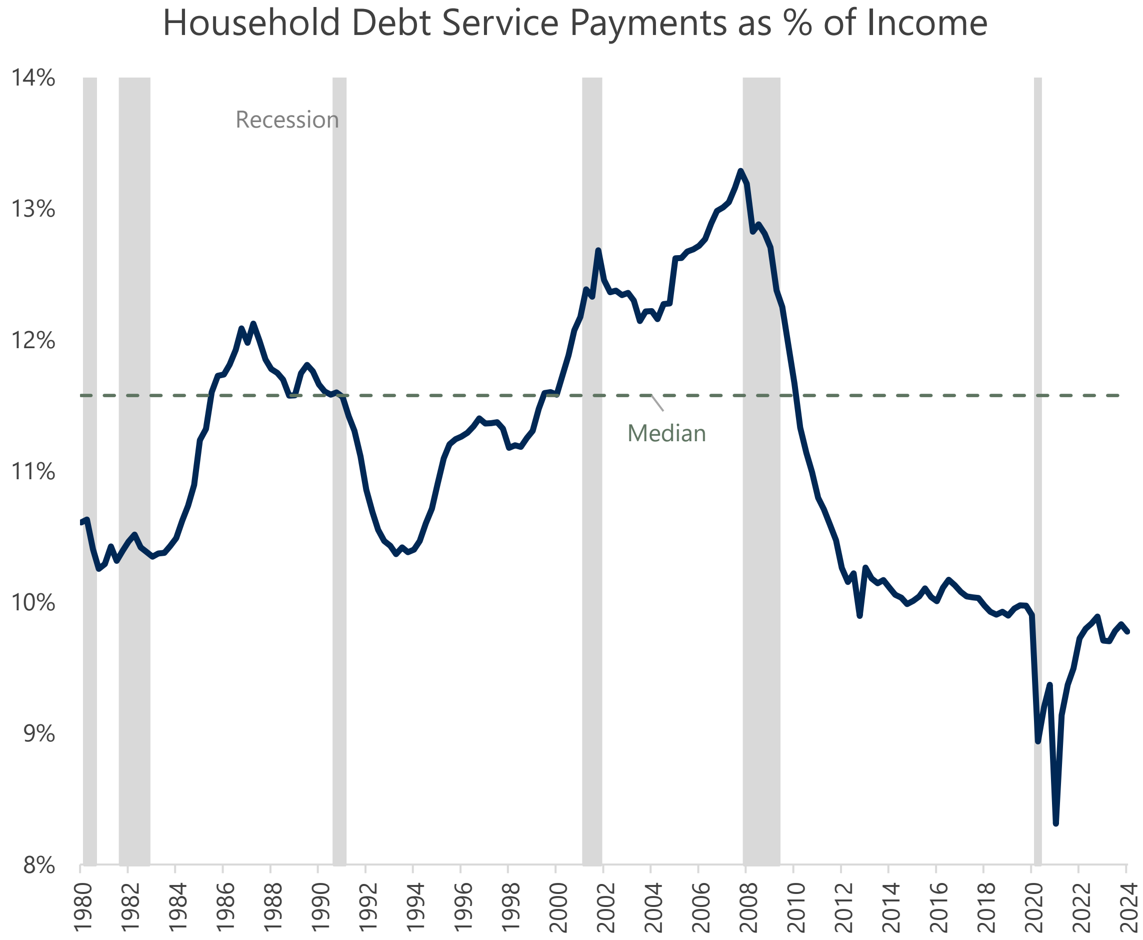



*Source: Federal Reserve Economic Database (FRED). Consumer Price Index. Annual CPI Forecasts are made by WJ using past month over month CPI data and extrapolating forward with different growth rates.*

# Household Spending is Still Strong



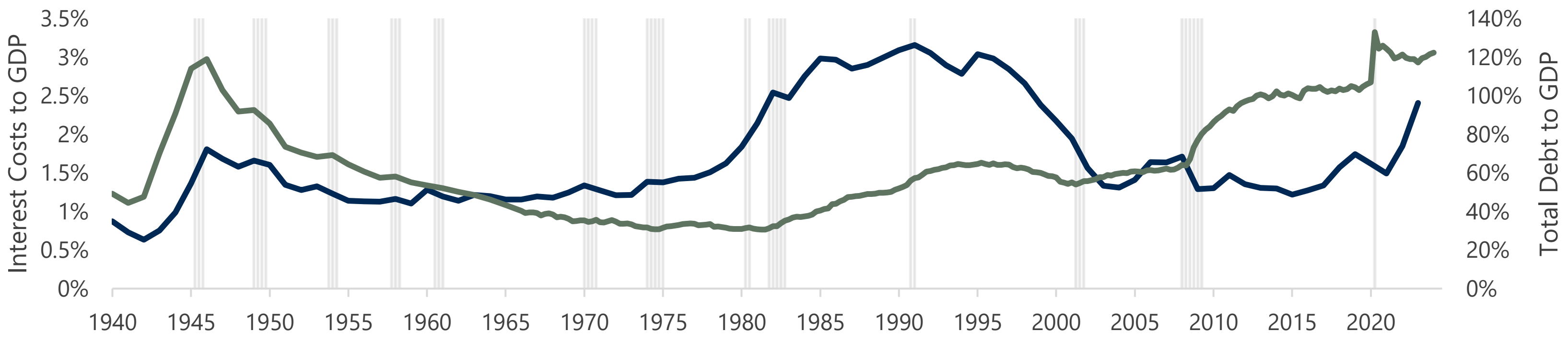




Interests WEALTH ADVISORS

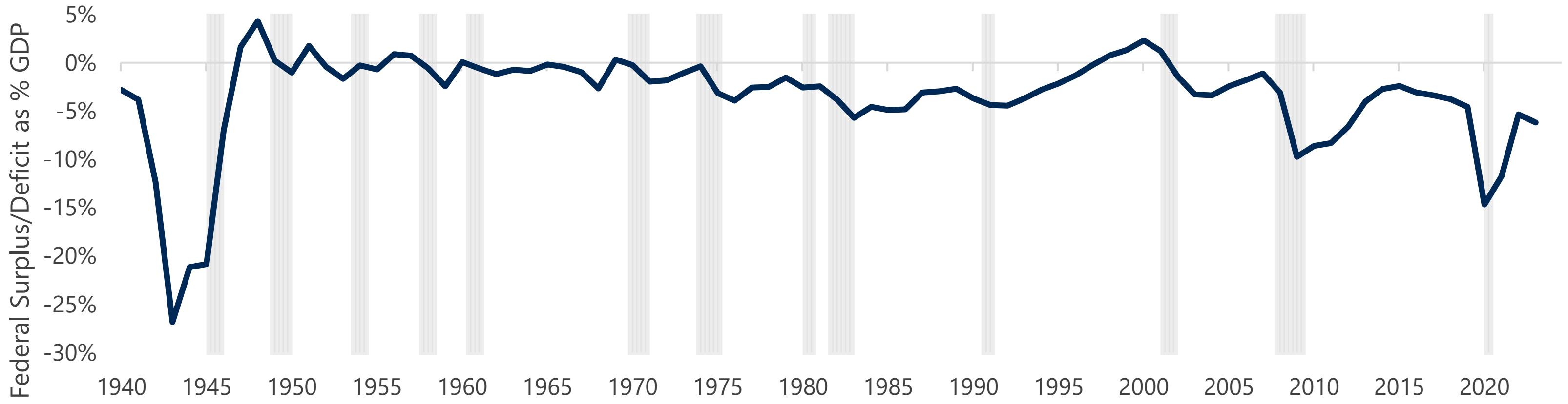
*Source: Federal Reserve Economic Database (FRED). Personal Saving Rate plus Real Personal Consumption Expenditures (left) and Household Debt Service Payments as a Percent of Disposable Personal Income (right). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough*

# Government Budget Deficit Increased

**Gov't Interest/GDP** and **Gov't Total Debt**




Federal Budget Surplus/Deficit




*Source: Federal Reserve Economic Database (FRED) Federal Surplus or Deficit [-] as Percent of Gross Domestic Product (top) and Federal Debt: Total Public Debt as Percent of Gross Domestic Product plus Federal Outlays: Interest as Percent of Gross Domestic Product (bottom). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough*

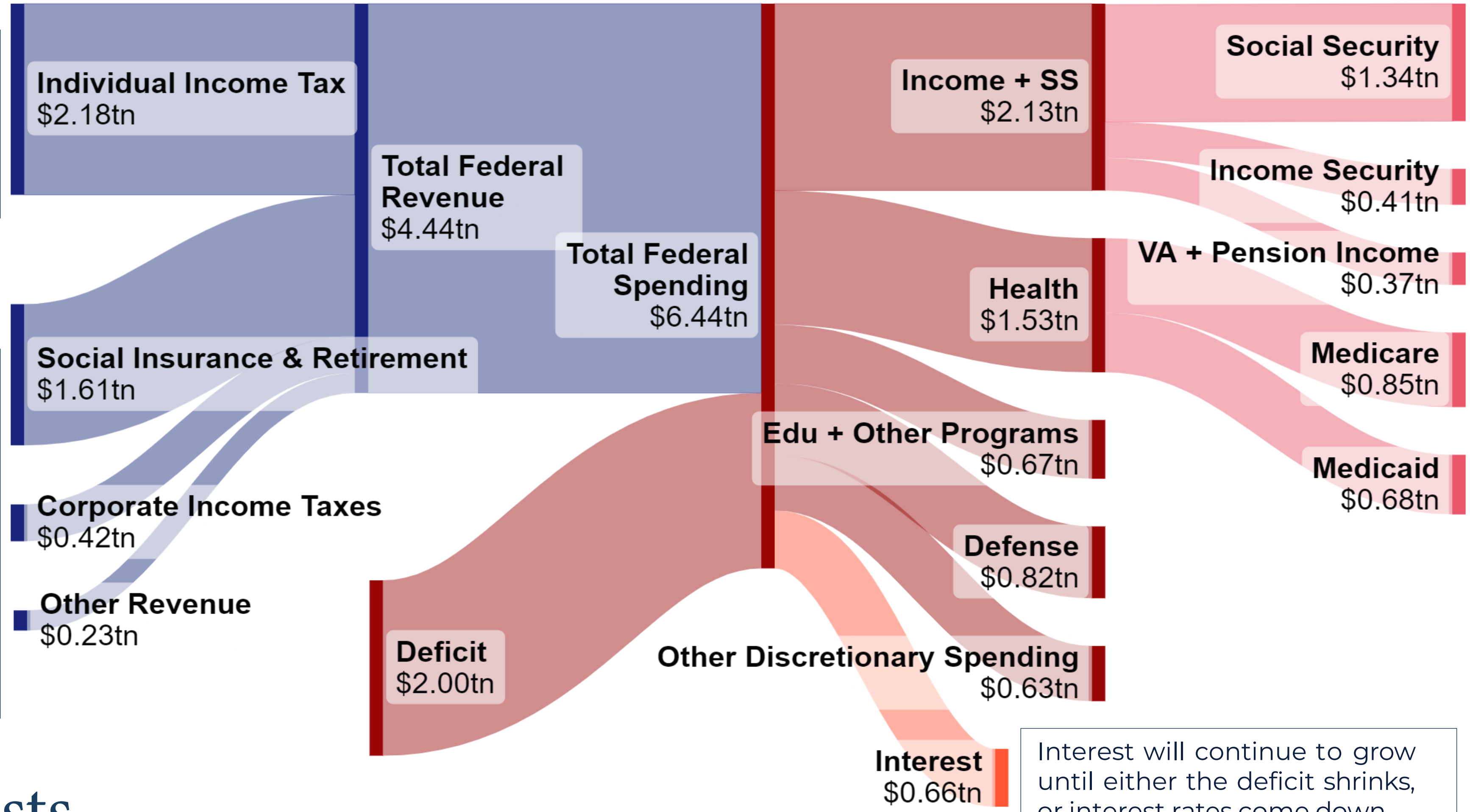
Interests
WEALTH ADVISORS

# Government Expenditures 2023

This is an in depth look at how the US makes and spends money. On the spending side, the top 3 categories are known as "mandatory spending" and are unable to change without major reform. That leaves "Defense" and "Other Discretionary Spending" as the two categories congress can change on any year.

Income taxes receipts were lower than budgeted, partly due to a bad 2022 that produced low capital gains taxes.

A major part of "other revenue" the last decade has been Federal Reserve Remittances, Where the Fed pays the Treasury any interest it makes over what it pays. With the Fed Funds Rate high, this income has gone away, but could return if rates went down.




Made at SankeyMATIC.com

Social Security and Medicare are forecasted to grow rapidly as baby boomers enter retirement. Other programs will fall as a percent of spending.

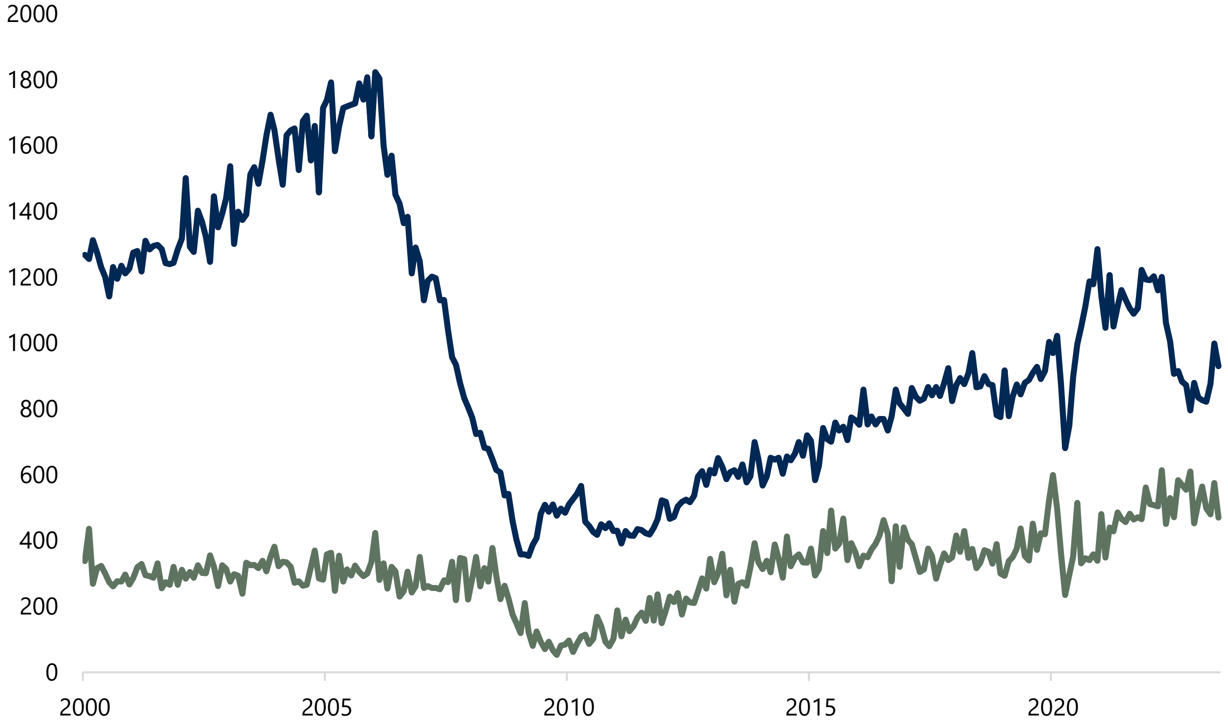
Interest will continue to grow until either the deficit shrinks, or interest rates come down.

WJ Interests WEALTH ADVISORS

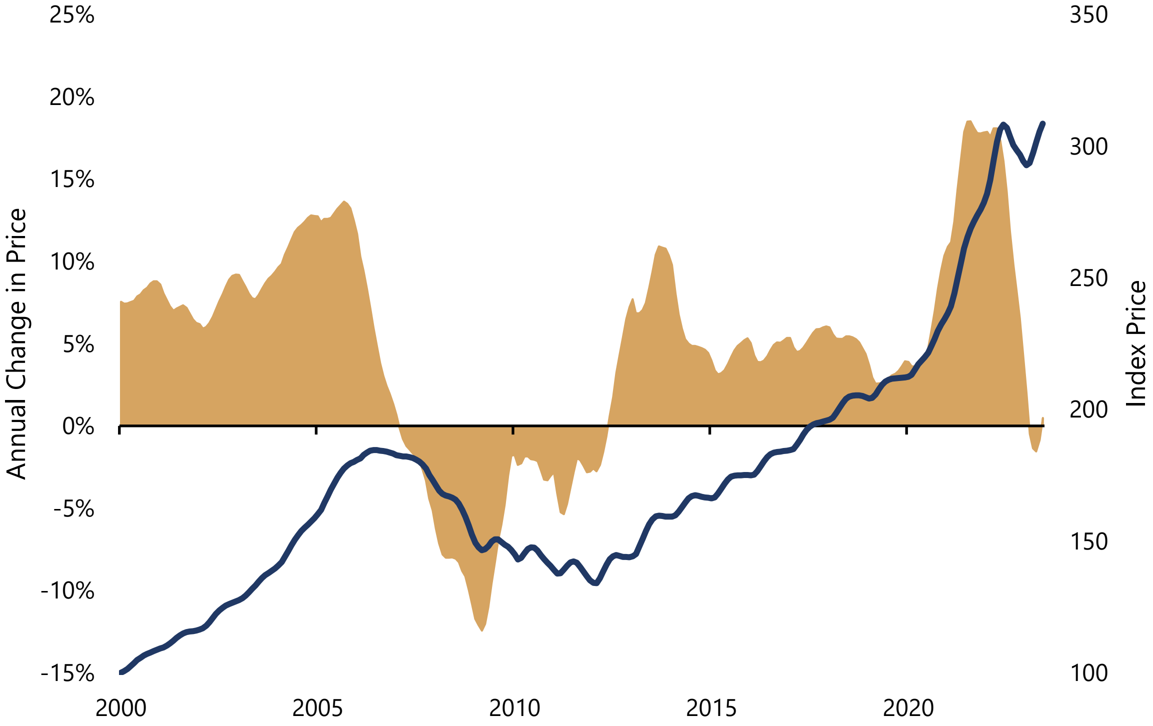
Source: https://www.cbo.gov/publication/59544/html

# The Housing Market

**Single-Family** and **Multi-family** Housing Starts




U.S. National Home Price Index




A housing start is the beginning of construction on a new residential housing unit and indicates how much new housing supply is on the horizon. On the right we show home prices over time, as well as the annual rate of change. Prices surged in 2021-2022 but have stopped growing altogether. What they do next will depend on how much pent-up demand there is, and how much housing we build going forward. Note of how significantly starts dropped after the 2008 crisis, and led to the undersupply we have today.

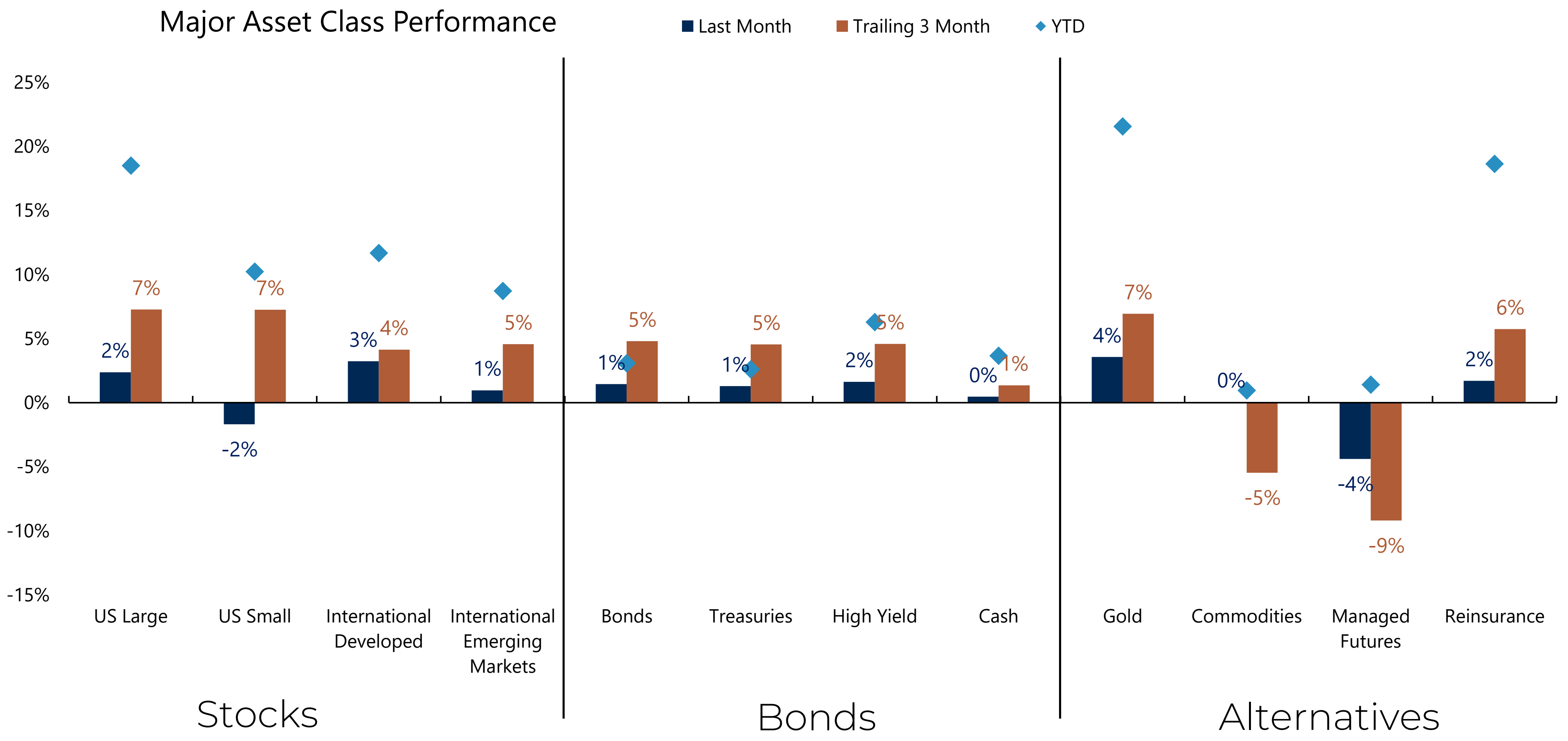
WJ Interests WEALTH ADVISORS

*Source: Federal Reserve Economic Database (FRED) (LEFT)New Privately-Owned Housting Units Starts: Single-Family Units and New Privately-Owned Housting Units Started: Units in Buildings with 5 units or More. (RIGHT) S&P CoreLogic Case-Shiller U.S. National Home Price Index*

# WJ State of the Markets

WJ Interests
WEALTH ADVISORS

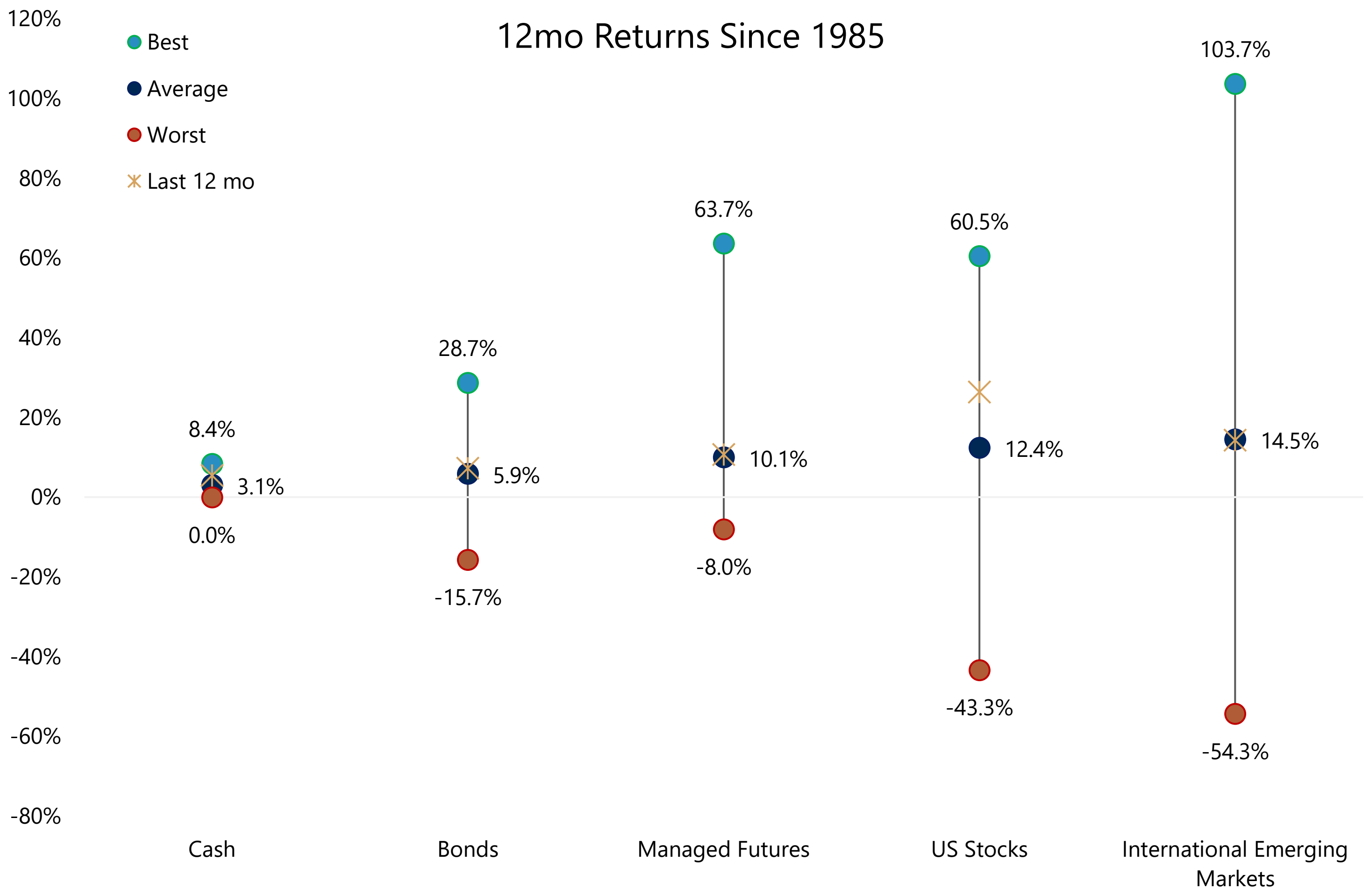
# Everything is Up for the Year




WJ Interests WEALTH ADVISORS

*Source: Morningstar Direct. Categories in table are represented by (left to right) iShares Russell 1000 (IWB), iShares Russell 2000 (IWM), iShares Core MSCI EAFE (IEFA), iShares Core MSCI EM (IEMG), Bloomberg US Agg Bond TR, Bloomberg US Treasury TR USD, Bloomberg US Corporate High Yield TR USD, IA SBBI US 30 Day TBill TR USD, SPDR Gold Shares, Bloomberg Commodity TR USD, CISDM CTA EW USD, Stone Ridge Reinsurance Fund*

# Historical Asset Class Return Range




This chart shows the range of 12 month returns historically, by asset class. As you'd expect, the riskier investment leads to a greater potential gain, as well as loss.

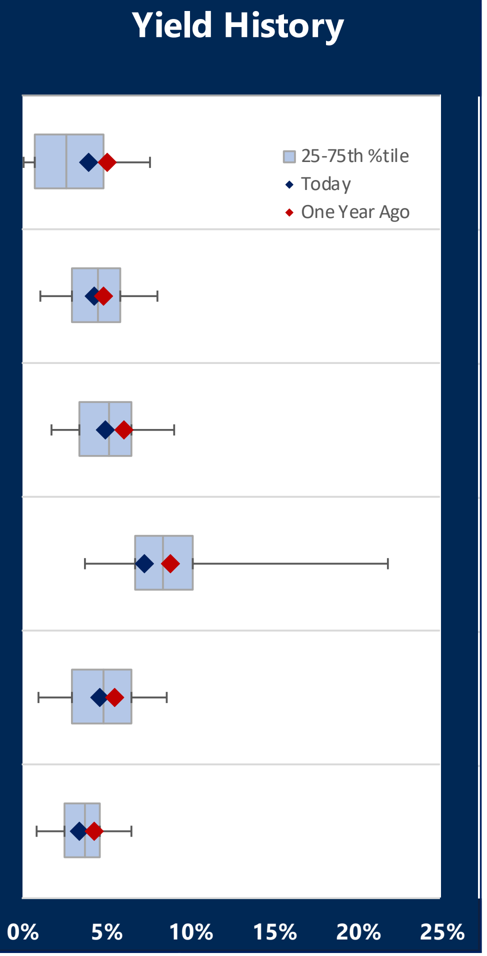
The X on the line represents the last 12 months.

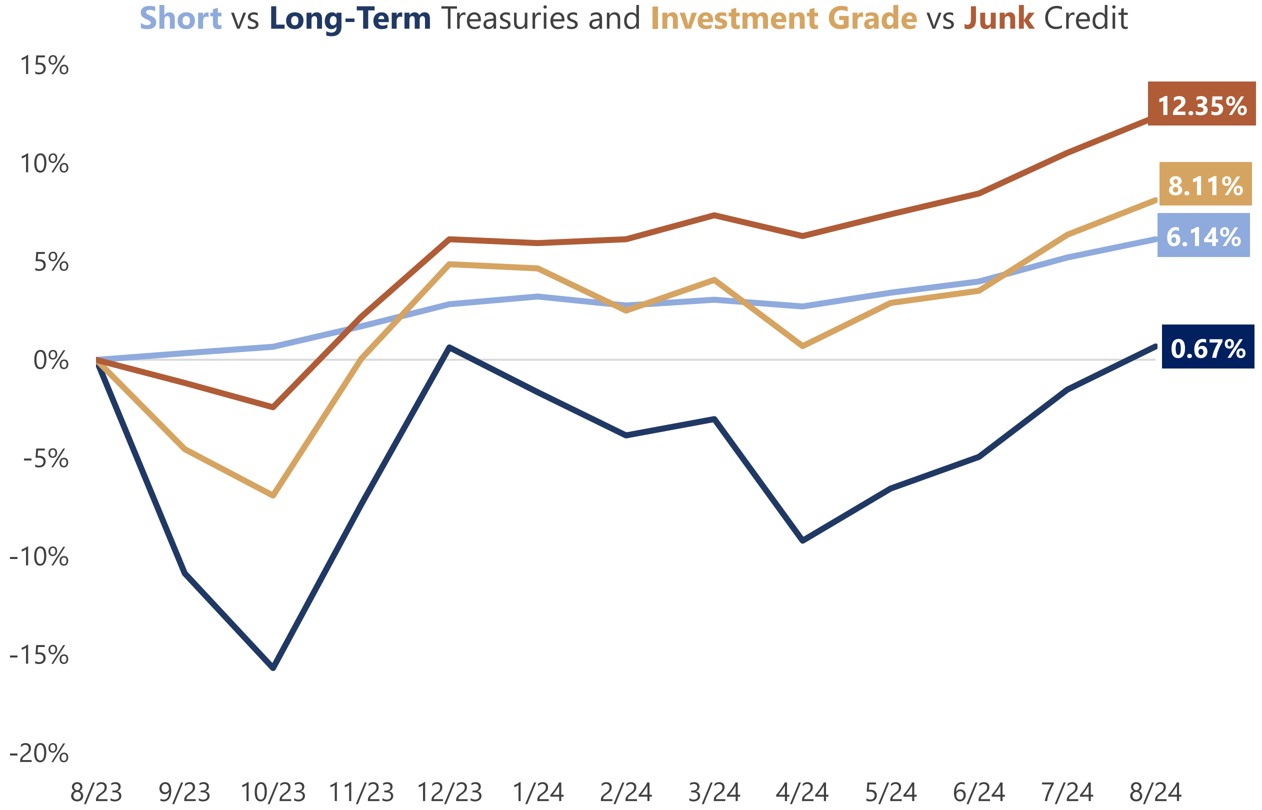
Interests WEALTH ADVISORS

*Source: Morningstar Direct. Categories in table are represented by (left to right) IA SBBI US 30 Day TBill TR US, Bloomberg US Agg Bond TR USD, CISDM CTA EW USD, iShares Russell 1000 (IWB), iShares Core MSCI EM (IEMG). Historical data starts at common inception in 1985.*

# Junk Bonds Good, Safe Assets Bad

| Bond Type | Yield (%) Last Month | Yield (%) Last Year | Yield (%) Change |
|---|---|---|---|
| ST Treasury | 4 | 5.11 | -1.11 |
| LT Treasury | 4.31 | 4.82 | -0.51 |
| Investment Grade | 4.94 | 6.04 | -1.1 |
| High-Yield | 7.3 | 8.88 | -1.58 |
| Mortgage-Backed | 4.67 | 5.57 | -0.9 |
| Municipal Bonds | 3.45 | 4.32 | -0.87 |

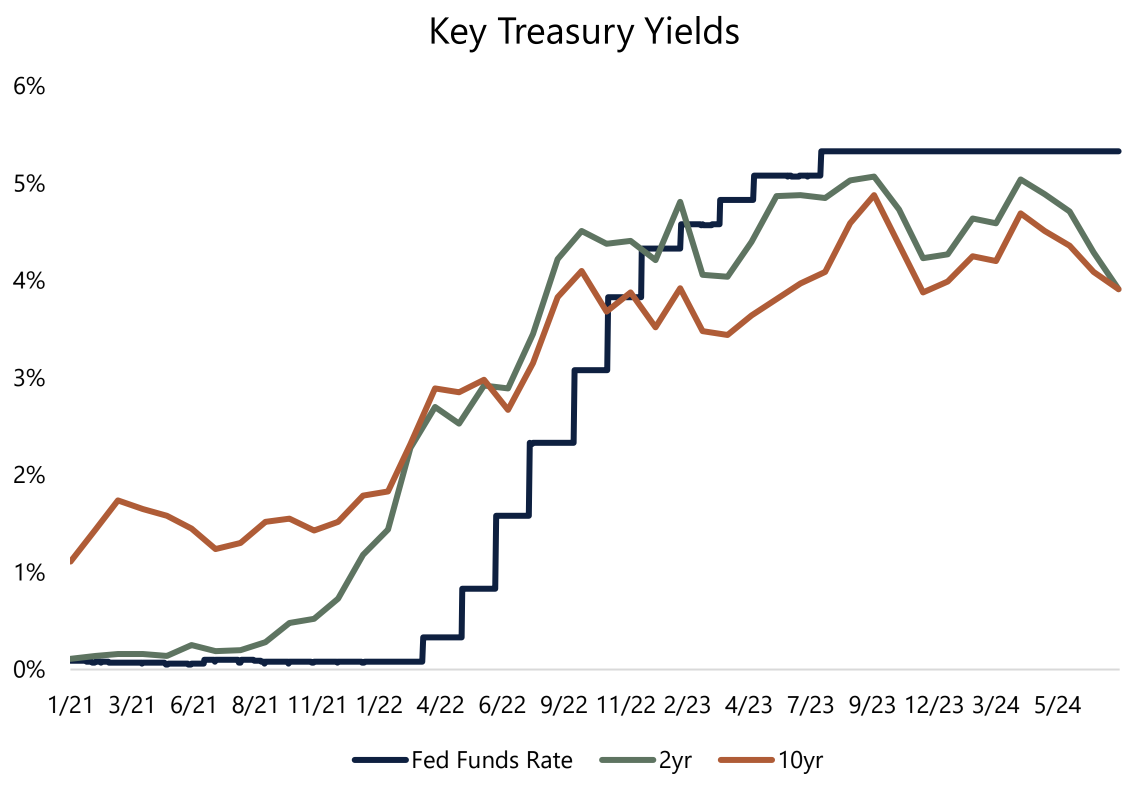


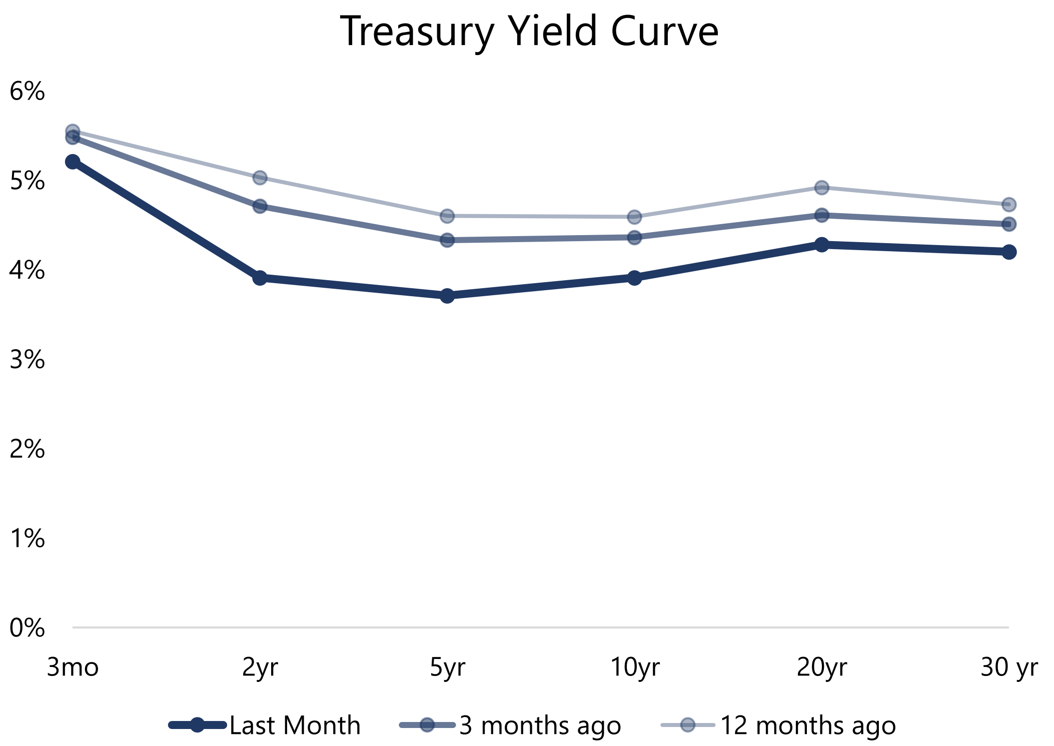




Interests WEALTH ADVISORS

*Source: Morningstar Direct. Categories in table are represented by (top to bottom) Bloomberg US Treasury 1-3 Yr Yld USD, Bloomberg US 20+Yr Yld USD, Bloomberg US Corp Bond Yld USD, Bloomberg US Corp High Yield Yld USD, Bloomberg US MBS Yld USD, Bloomberg Municipal Yld USD*

# Most of the Bond Curve Is No Longer Inverted



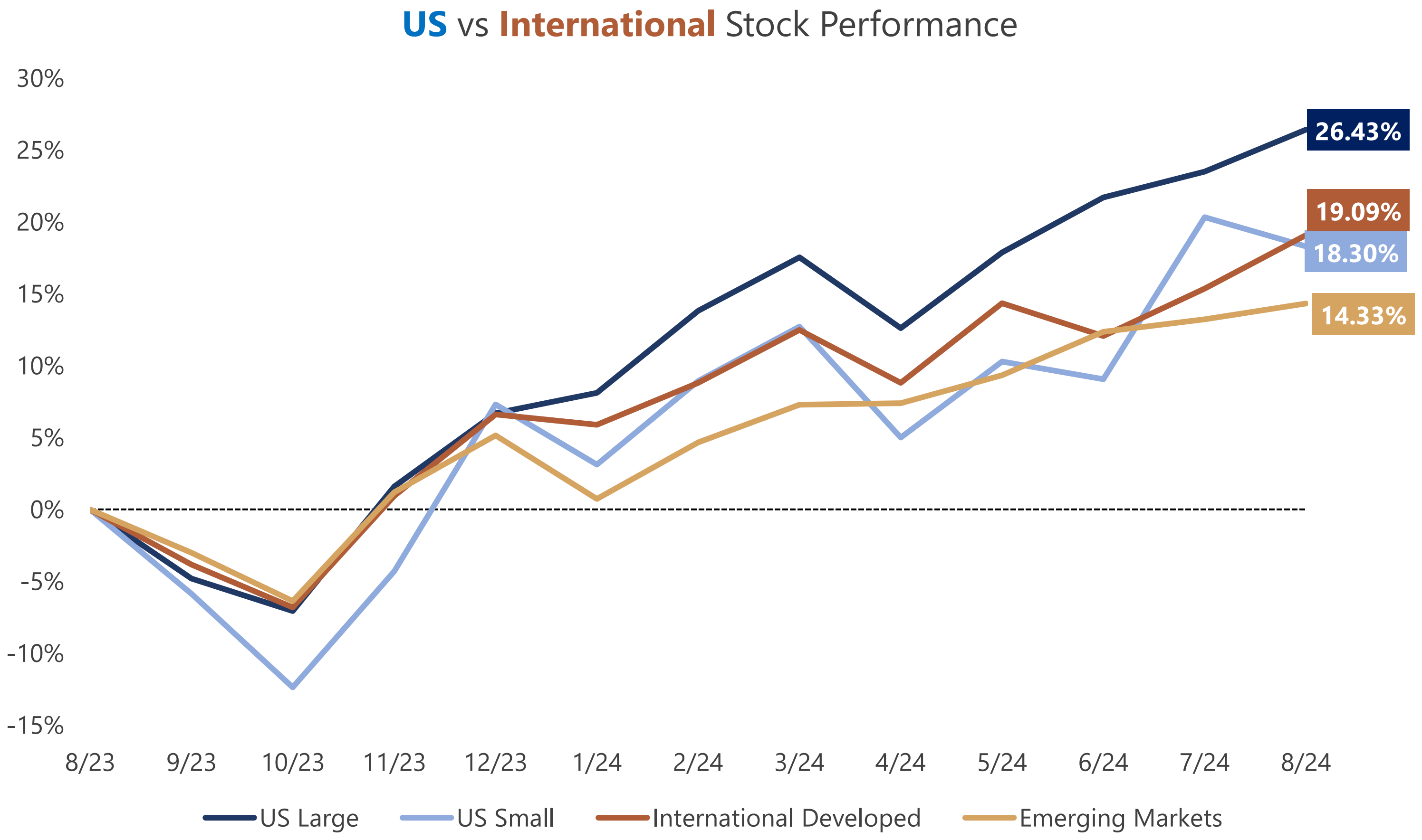

| | 3mo | 2yr | 5yr | 10yr | 20yr | 30 yr |
|---|---|---|---|---|---|---|
| **Last Month** | 5.2% | 3.9% | 3.7% | 3.9% | 4.3% | 4.2% |
| **3 months ago** | 5.5% | 4.7% | 4.3% | 4.4% | 4.6% | 4.5% |
| **12 months ago** | 5.6% | 5.0% | 4.6% | 4.6% | 4.9% | 4.7% |

WJ Interests
WEALTH ADVISORS

*Source: Morningstar Direct. USTREAS T-Bill Cnst Mat Rate 3mo, USTREAS T-Bill Cnst Mat Rate 2 yr, USTREAS T-Bill Cnst Mat Rate 5yr, USTREAS T-Bill Cnst Mat Rate 10 Yr, USTREAS T-Bill Cnst Mat Rate 20 Yr, USTREAS T-Bill Cnst Mat Rate 30 Yr. Effective Fed Funds Rate from FRED Database.*

# International Stocks Playing Catchup

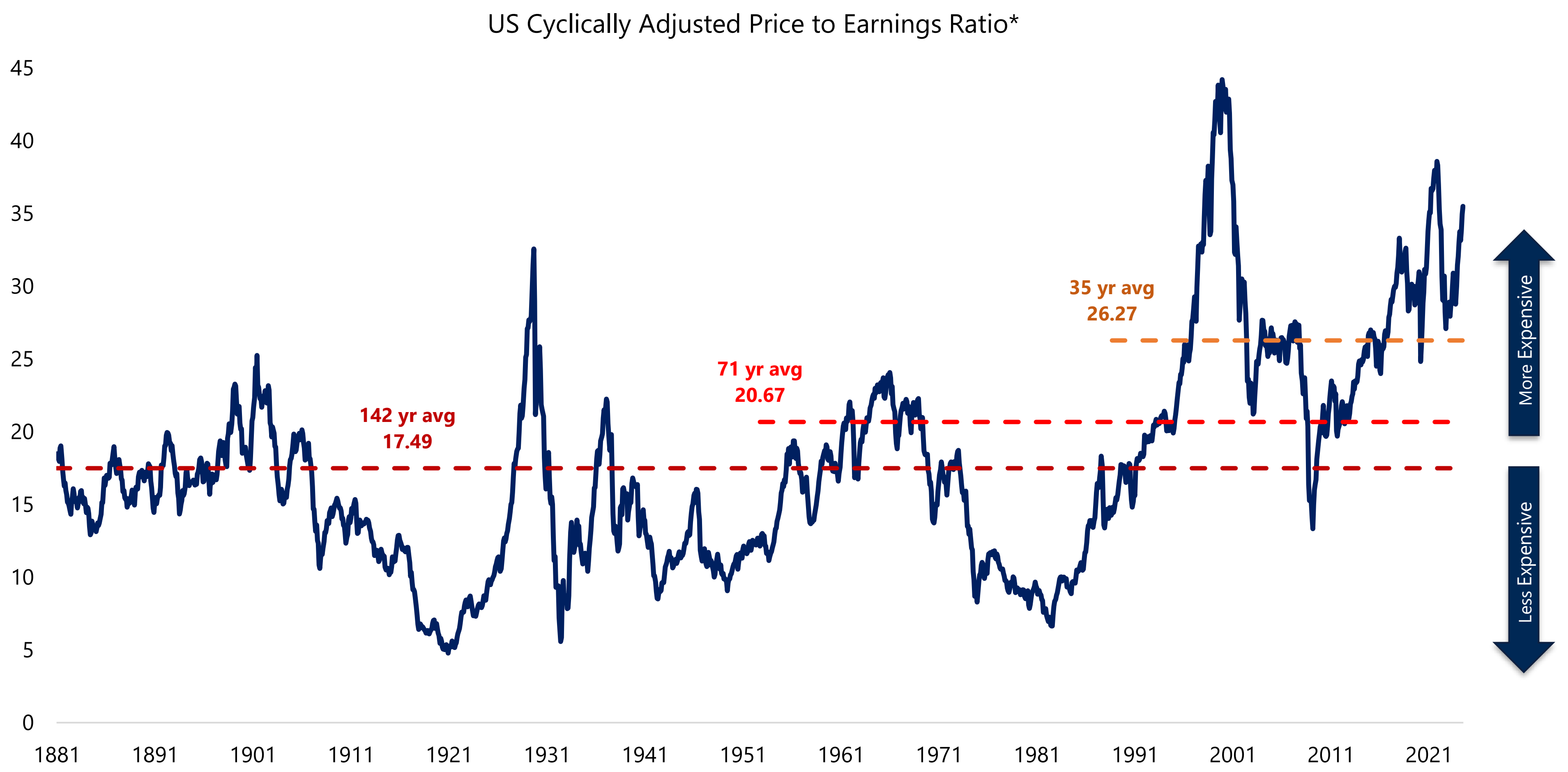
| | Stock Type | Last Month | Last 3 Months | Last 12 Months |
|---|---|---|---|---|
| Core | US Large | 2.4% | 7.3% | 26.4% |
| Core | US Small | -1.7% | 7.3% | 18.3% |
| Core | International Developed | 3.2% | 4.1% | 19.1% |
| Core | International Emerging | 1.0% | 4.6% | 14.3% |
| Other | US Value | 2.7% | 6.9% | 20.9% |
| Other | US Growth | 2.1% | 7.1% | 30.6% |
| Other | Nasdaq | 1.2% | 5.7% | 27.0% |




*Source: Morningstar Direct. Categories in table are represented by (top to bottom) iShares Russell 1000 (IWB), iShares Russell 2000 (IWM), iShares Core MSCI EAFE (IEFA), iShares Core MSCI Emerging Markets (IEMG), iShares Russell 1000 Value ETF (IWD), Russell 1000 Growth ETF (IWF), Nasdaq 100 ETF (QQQ).*

Interests WEALTH ADVISORS

# US Stocks Valuation High Historically

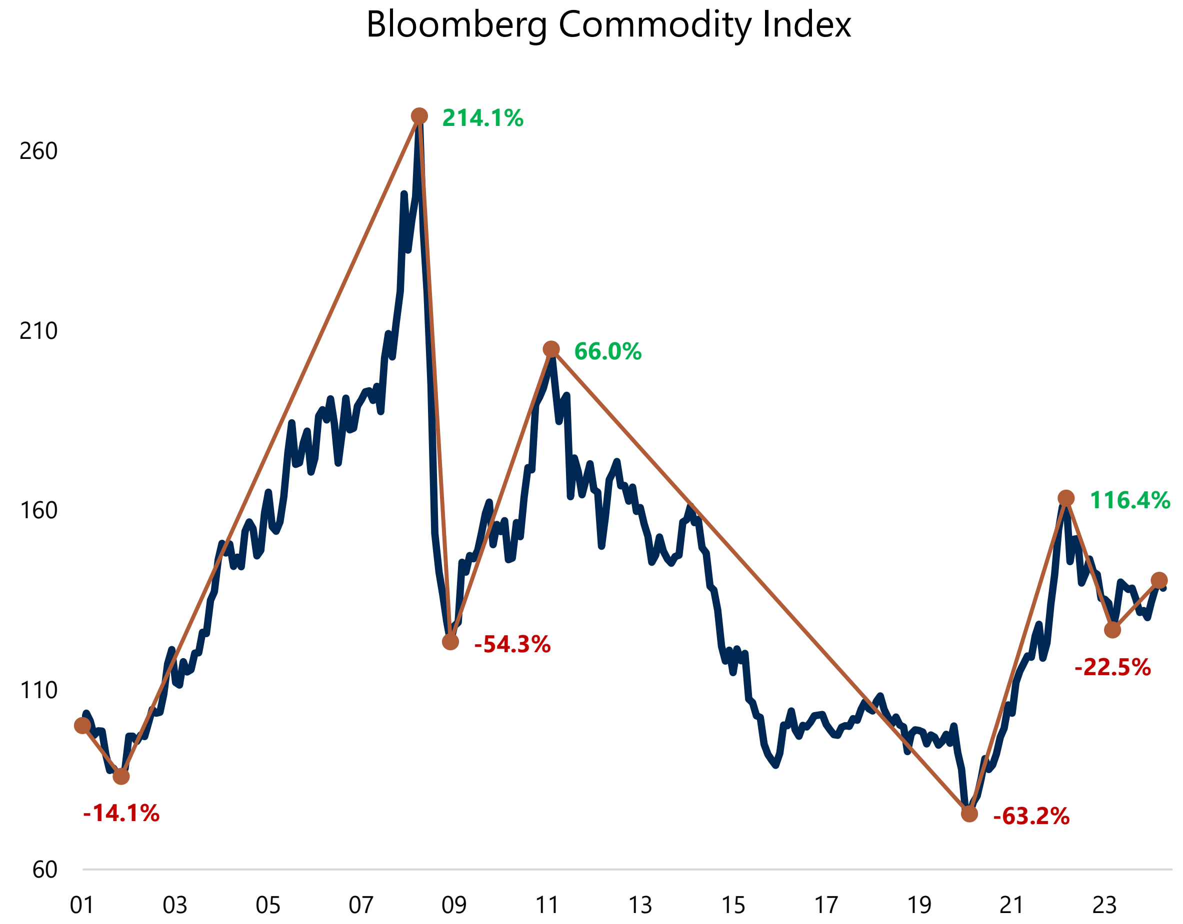


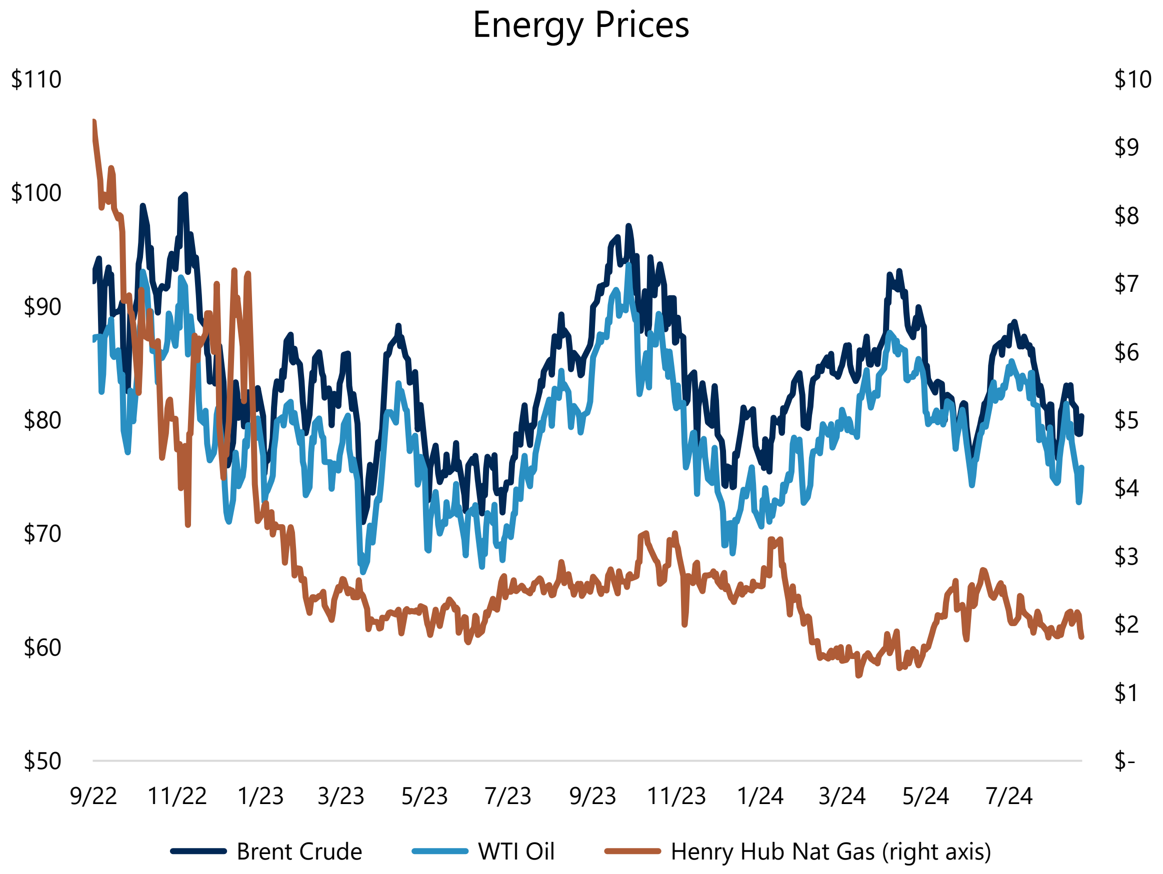

Interests WEALTH ADVISORS

*CAPE or Cyclically Adjusted Price to Earnings Ratio takes the current price and divides it by the last 10 years average earnings for the S&P 500 and adjusts it for inflation. It is thought to be more predictive of future returns than trailing 12 month or Forward PE.*

*Source: Data and CAPE Ratio were developed by Robert Shiller using various public sources.*

# Energy Heading Lower




WJ Interests WEALTH ADVISORS

*Source: Bloomberg Commodity TR USD (left) and Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma, Crude Oil Prices: Brent – Europe, Henry Hub Natural Gas Spot Price from U.S.*

*Energy Information Administration (right)*

# Periodic Table of Asset Class Returns

WJ Interests
WEALTH ADVISORS

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 YTD |
|---|---|---|---|---|---|---|---|---|---|---|
| Trend Following 20% | Reinsurance 8% | US Small Stock 22% | Intl Emerging Stk 37% | Cash 2% | US Large Stock 31% | US Large Stock 21% | US Large Stock 26% | Trend Following 22% | Reinsurance 44% | Reinsurance 19% |
| US Large Stock 13% | Bonds 2% | US Large Stock 12% | Intl Developed Stk 27% | Bonds 0% | US Small Stock 25% | US Small Stock 20% | US Small Stock 15% | Reinsurance 3% | US Large Stock 26% | US Large Stock 18% |
| Reinsurance 11% | US Large Stock 1% | Intl Emerging Stk 10% | US Large Stock 22% | US Large Stock -5% | Intl Developed Stk 23% | Intl Emerging Stk 18% | Intl Developed Stk 12% | Cash 2% | Intl Developed Stk 18% | Moderate Blended Port 12% |
| Bonds 8% | Cash 0% | Moderate Blended Port 6% | TAA 19% | Moderate Blended Port -8% | TAA 20% | Moderate Blended Port 13% | Moderate Blended Port 11% | Bonds -12% | Moderate Blended Port 17% | Intl Developed Stk 12% |
| Moderate Blended Port 8% | Intl Developed Stk 0% | Reinsurance 6% | Moderate Blended Port 17% | Reinsurance -6% | Moderate Blended Port 20% | Intl Developed Stk 8% | TAA 10% | TAA -12% | US Small Stock 17% | TAA 12% |
| US Small Stock 5% | Trend Following 0% | TAA 5% | US Small Stock 15% | TAA -8% | Intl Emerging Stk 18% | Reinsurance 7% | Trend Following 5% | Moderate Blended Port -15% | Intl Emerging Stk 12% | US Small Stock 10% |
| TAA 5% | Moderate Blended Port 0% | Intl Developed Stk 2% | Bonds 5% | US Small Stock -11% | Bonds 8% | Bonds 7% | Cash 0% | Intl Developed Stk -15% | TAA 12% | Intl Emerging Stk 9% |
| Cash 0% | TAA -4% | Bonds 1% | Trend Following 2% | Trend Following -13% | Trend Following 4% | Trend Following 3% | Bonds -1% | US Large Stock -19% | Bonds 6% | Cash 4% |
| Intl Emerging Stk -3% | US Small Stock -4% | Cash 0% | Cash 1% | Intl Developed Stk -14% | Cash 2% | Cash 0% | Intl Emerging Stk -1% | Intl Emerging Stk -20% | Cash 5% | Trend Following 3% |
| Intl Developed Stk -5% | Intl Emerging Stk -14% | Trend Following -6% | Reinsurance -11% | Intl Emerging Stk -15% | Reinsurance -4% | TAA -2% | Reinsurance -5% | US Small Stock -20% | Trend Following -3% | Bonds 3% |

| Through Last Month End 8/31/2024 | |
|---|---|
| 5 Yr | 10 Yr |
| US Large Stock 15% | US Large Stock 13% |
| Reinsurance 12% | US Small Stock 8% |
| US Small Stock 10% | Moderate Blended Port 7% |
| Intl Developed Stk 9% | Reinsurance 6% |
| Moderate Blended Port 8% | Intl Developed Stk 5% |
| TAA 6% | TAA 5% |
| Intl Emerging Stk 5% | Trend Following 3% |
| Trend Following 4% | Intl Emerging Stk 3% |
| Cash 2% | Bonds 2% |
| Bonds 0% | Cash 2% |

# Disclaimer

PAST PERFORMANCE IS NOT A GUARANTEE OF CURRENT OR FUTURE RESULTS. Examples of historical information included in this presentation do not, nor are they intended to, constitute a promise of similar future results. Specific client portfolio allocations, risks and returns can and may deviate from these examples depending on accounts and types of investments available through each account. Future market views by WJ Interests, LLC may vary significantly from the historical examples presented herein and no one receiving this summary should assume that WJ Interests, LLC will be able to replicate successful views in the future.

Moderate Blended Portfolio is for illustrative purposes only. It is calculated by taking a weighted average of the following asset classes and represents a moderate risk portfolio incorporating leverage and the asset classes in the table:

| | | |
|---|---|---|
| 28% | US Large Stock | iShares Russell 1000 (IWB) |
| 6% | US Small Stock | iShares Russell 2000 (IWM) |
| 21% | Intl Developed Stock | iShares Core MSCI EAFE (IEFA) |
| 6% | Intl Emerging Stock | iShares Core MSCI Emerging Markets (IEMG) |
| 41% | Bonds | Vanguard Total Bond Market (BND) |
| -18% | Cash | Morningstar USD 1M Cash TR USD |
| 4% | Reinsurance | Stone Ridge Reinsurance Fund (SRRIX) |
| 6% | Managed Futures | SG Trend Index, PIMCO Trends (PQTIX), Virtus Alphasimplex (ASFYX), Standpoint (BLNDX) |
| 6% | TAA | GMO Benchmark Free (GBMIX) and Strategy Shares Nwfnd/Rslv Rbt ETF (ROMO) |

Assumes annual rebalancing. All data represents total return for stated period.

WJ Interests
WEALTH ADVISORS