

Perspective on First Quarter 2024 Economic & Market Events

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The stock market has thrived from late 2023 into the first quarter of 2024, with equity market indices reaching record highs. This upward trajectory is supported by the resilience of the U.S. economy and solid corporate earnings across various sectors. Notable growth has been seen in the technology sector but has also expanded to include financials, energy and industrials, suggesting a sustainable rally with reduced dependency on a single economic driver.

The potential for reduced interest rates by the Federal Reserve has buoyed investor optimism. Following a series of rate hikes in 2022 aimed at curbing inflation, a shift in monetary policy might make borrowing cheaper, thus boosting economic activity and enhancing the appeal of stocks over bonds. However, there are risks; the Fed may not cut rates as expected, which could lead to short-term market declines. Additionally, the uncertainty surrounding the upcoming 2024 general election and its implications for tax and trade policies, budget deficits and geopolitical unrest adds layers of complexity that could affect market dynamics. Geopolitical unrest, for instance, often involves international conflicts or disruptions that could impact global markets and supply chains, affecting everything from commodity prices to international trade.

The outcome of the 2024 general election could significantly influence market sentiment and sector-specific performance. Historical data suggests that the S&P 500 generally performs well during election years, with increased certainty post-primary months boosting investor confidence. For example, sectors such as healthcare or energy might respond differently based on the policy platforms of the winning party, potentially affecting regulatory environments and profitability.

Investors are encouraged to maintain a long-term perspective, emphasizing a disciplined, active security selection process that is cost-effective and tax-efficient. This approach helps manage investment risks and enhances the potential for attractive long-term returns. By aligning investment strategies with historical trends and current market conditions, investors can better navigate potential policy shifts that could emerge from the election results. This proactive approach can help capitalize on sector-specific opportunities and mitigate risks associated with the political and geopolitical climate.

As of early 2024, the U.S. economy shows signs of strength. The Federal Reserve has indicated that interest rates have likely peaked, suggesting that rate cuts could begin later this year if the economy evolves as predicted. Despite this outlook, volatility is likely to persist due to inflationary pressures, political uncertainty and ongoing global conflicts. The Fed's goal is a "soft landing" to avoid a significant recession. Yet, the risk of an economic downturn still looms, as

evidenced by a high probability of a U.S. recession within the next 12 months predicted by the New York Fed.

Investors should prepare for continued market volatility. There are six remaining Fed meetings in 2024, and any delays in rate cuts or reductions in the number of anticipated cuts could adversely affect a market priced for easing. A market correction is possible, and while most economists anticipate it to be modest, rapid changes in economic indicators such as housing and labor markets could alter the Fed's path. Monitoring these critical indicators will be crucial in shaping monetary policy in the future.

By adhering to a strategic, well-considered investment approach and staying the course, portfolios should benefit and effectively navigate market fluctuations and leverage opportunities for growth and stability in a changing financial landscape. We at Uwharrie Investment Advisors are dedicated to guiding you through these complex market dynamics.

Investors are encouraged to consult with professional asset managers to review their investment strategies and ensure they are well positioned to manage risks and capitalize on opportunities in the current economic climate. Our team at Uwharrie Investment Advisors is committed to providing you with the expertise and support necessary to optimize your investment outcomes.

Thank you for placing your trust in our Company. We look forward to continuing to serve your investment needs and help you achieve your financial goals.

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