Value Added Partners
Helping clients since 1981

July 2024

The Five Rings

It has been hard to escape the onslaught of election news over the past month. Already, many of you have told us that the constant high-decibel reporting of the Presidential campaign has you wishing that you could fast forward into 2025.

While we cannot eliminate the political headlines which will likely continue to pop up hourly between November and now, we can suggest a less contentious viewing experience to occupy you during the next few weeks: the Summer Olympic games which start in Paris shortly.

Two things strike us about this extravaganza:

- **We know that it is 'only' a sporting event** and that it only lasts 16 days, but we are struck that this may be the one time in 2024 that almost every nation in the world cooperates to accomplish something. Given what is happening in the Ukraine, Gaza, Sudan and other places, it is reassuring that the community of nations can pull itself together to ship some of their best young people to one village to live together and compete. We are hoping that it comes off safely and that it will serve as a reminder that it is still theoretically possible for the community of nations to work together to achieve something.

- **The world is a big place.** Paris expects to welcome athletes from 206 nations and territories. It reminds us that, while the United States is a crucial country in the world's economy, it is hardly the only place where discoveries happen and corporations make money. For example, the manufacturer of one of the leading anti-obesity drugs is based in Europe, while Taiwan is the homebase for chip manufacturing for the entire world. While all of us could keep the majority of our investments in US-based entities and while that concentration has worked to our advantage since 2008, we ignore the rest of the world at our peril. Just because the US stock market has done so well relative to the rest of the world over the past fifteen years does not mean that it will continue to do so indefinitely. In fact, there is a case to be made that some stocks overseas are valued more cheaply and that including them in portfolios can help reduce overall volatility.

If you watch the Olympics in the next few weeks, we hope that it counterbalances other, less appetizing, news. We also hope that it reminds you of the array of countries which house both great athletes and great investment opportunities. Regardless of whether you tune in or not, we will continue to keep your holdings diversified and would be delighted to speak with you about how we think about international investing.

The Other Contest

Even as the athletes in Paris will be vying for medals, analysts on Wall Street are competing to see who can most accurately predict when the Federal Reserve will start to cut domestic interest rates. As a reminder, the Fed cut interest rates to zero during the pandemic to try to keep the economy limping along while many of us were staying home. Then, when inflation became a significant issue, it quickly raised rates. Now, inflation has come way down, but the question has been whether it has come down enough to allow the Fed to start cutting rates.

Last December, the broad consensus on Wall Street was that we would have already seen the first of the Fed rates cuts by now. However, with the increase in the cost of living still staying stubbornly above three percent, the Fed has opted to wait, even as the European Central Bank reduced rates on the Continent.

Most analysts now expect the Fed to start cutting US rates in September, with more cuts to come in 2025. We are less confident that inflation will be sufficiently low to allow our central bank to act this autumn but agree that we can likely expect rates to fall in the new year.

Interest rates are a key determinant of how the economy will perform. It impacts directly how much money consumers and businesses have to spend after servicing their debt. It also influences investors' willingness to take risk by raising and lowering the returns on lower-risk investments. We spend a great deal of time parsing the Fed's pronouncements and using that analysis to tweak portfolios. If you have questions about interest rates, the economy and your holdings, please reach out to us. We would be delighted to update you as to our thoughts.

Harry Elish, CFP,® CPWA®

Managing Director–
Wealth Management
Private Wealth Advisor

212-713-8719
harold.elish@ubs.com
ubs.com/team/valueaddedpartners

California Insurance License #0I41743

Kevin O'Leary, CFA, CFP®

Managing Director–
Wealth Management
Private Wealth Advisor

212-713-2525
kevin.oleary@ubs.com
ubs.com/team/valueaddedpartners

Timothy Turpin

Senior Vice President—Wealth Management

212-713-6242
timothy.turpin@ubs.com
ubs.com/team/valueaddedpartners

Nicholas Landy, CFP®

Senior Vice President—
Wealth Management

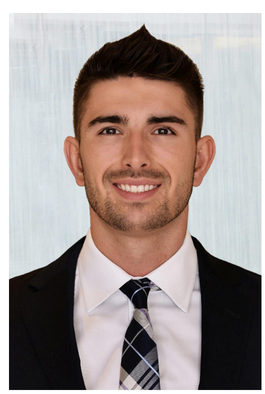
212-713-6154
nick.landy@ubs.com
ubs.com/team/valueaddedpartners

Sarah Wilson

Financial Advisor

212-713-2523
sarah.wilson@ubs.com
ubs.com/team/valueaddedpartners

Ryan Karl, CFP®



Wealth Strategy Associate

212-713-9287
ryan.karl@ubs.com
ubs.com/team/valueaddedpartners

We look forward to hearing from you.

Expiration: 7/31/2025
Review Code: IS2403636

UBS