40 Years of Cultivating Relationships

ADVISORY Notes

MARCH 2024

First Quarter Report

The first quarter of 2024 was full of tepid enthusiasm. The Federal Reserve is still digesting the economic data, GDP, PPI, CPI, unemployment, etc. The early prediction in the quarter was for four to five interest rate cuts. However, as early as March, the data came in mixed and the Fed held steady, keeping the rates unchanged. The new forecast outlined for rates in 2024 is now for three cuts totaling 75 basis points, beginning with the first in June. This, of course, is subject to change based on the continuing release of economic data.

The equity markets responded positively, hitting new records in the first quarter and posting the highest first quarter returns since 2019 (See Market Table). Large-cap led the way with the core slightly outperforming growth and value, followed by mid-cap and small-cap. Industries that led in the first quarter were Communication Services 13.4%, followed by Energy 12.4% and Information Technology 12.1%. The laggards were Real Estate -3.0% and Utilities 3.9%.

Earnings for the S&P 500 are expected to be 3.6% higher in the first quarter than reported for the fourth quarter of 2023.

As the election cycle heats up, we will undoubtedly experience some volatility, but the markets will be driven by economic data and the targeted Federal Reserve rates being lowered in the second and third quarter of this year.

VASI will continue to monitor your portfolios according to your strategic goals and objectives. We wish you a wonderful springtime season!

Joseph M. Valicenti
President/CEO

40 Years and Growing!

April 2024 marks our 40th year as an Independent Investment Advisor registered with the Securities and Exchange Commission. We have been a fiduciary for our clients, while cultivating relationships over four decades. As we reflect on the past 40 years, we thank our past and present clients for their trust in us to achieve their financial goals and dreams. Without our dedicated staff of professionals, we would not have been able to achieve this milestone and, for that, we deeply appreciate them.

Here is to more milestones to come in the future!

Joseph M. Valicenti
President/CEO

MARKET TABLE	VALICENTI ADVISORY SERVICES, INC. Comparative Index Period Returns From 12-31-23 THROUGH 03-31-24								
	Dow Jones Industrial Average	S&P 500 Equal Weight Index	S&P 500 Index	NASDAQ	Russell 2000	BBG Barclays AGGR Bond Index	BBG Barclays Muni Bond Index	FTSE USBIG Corporate Bond Index	US Treasury Bill Index (90 day)
12-31-23 to 01-31-24	1.31	-0.82	1.68	1.04	-3.89	-0.27	-0.55	-0.01	-0.04
01-31-24 to 02-29-24	2.50	4.16	5.34	6.22	5.65	-1.41	0.14	-1.50	-0.01
02-29-24 to 03-31-24	2.21	4.46	3.22	1.85	3.58	0.92	0.00	1.06	0.07
Cumulative Returns 12-31-23 to 03-31-24	6.14	7.91	10.56	9.31	5.18	-0.78	-0.42	-0.47	0.02

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~ Our Clients Come First ~

Director's Chair: *Three Amigos!*

Five straight quarters have now passed in which a very small number of stocks have driven almost all of the upside in the stock market. In 2023, seven stocks drove the S&P 500 to a total return of 26.3%, while the equally weighted market was up 13.8%. For the first quarter of 2024, the S&P 500 is up 10.6% yet the equal weight S&P 500 is up only 7.9%. The concentration of performance year-to-date has been from three stocks; NVIDIA Corporation, Meta Platforms and Amazon. The large market capitalization stocks have the biggest weighting within the S&P 500. NVIDIA is currently the third largest stock at $2.4 trillion market capitalization, Amazon is the fourth largest at $1.9 trillion and Meta Platforms is the fifth largest at $1.3 trillion. When enormous companies have significant increases in value, it has an outsized effect on stock market performance. At quarter-end, Amazon was up 18.7%, Meta Platforms was up 37.3% and NVIDIA was up 82.5%. The effect of such impactful movements in stock price drives up the performance in the market; however, one should consider that the S&P 500 minus those three companies is generating smaller returns.

The equally weighted index that is more representative of the average stock being up 7.9% is more indicative of what the average investor is experiencing. Investors with an income requirement also would not benefit from those three stocks or what we can call the *"Three Amigos!"* This is because Amazon does not pay a dividend and Meta Platforms and NVIDIA pay dividends so small that they are laughable, but nowhere near as funny as the 1986 comedy movie *Three Amigos!*

Three Amigos! involves actors who portray bandit fighters cluelessly being hired to perform at a village, unaware that the fight is real and dangerous. A parallel can be drawn for today's investors. Almost 30% of the market capitalization of the S&P 500 is now concentrated within seven companies, that is more concentrated than during the 1990s dotcom bubble or any time during the past forty years, something most investors do not realize. The concentration risk can be tied to government regulation influencing changes in personal behavior.

The Pension Protection Act of 2006 made automatic enrollment into 401K plans for any employee that qualified. It also created a safe harbor provision that if monies were invested in passive funds, which blindly follow the market, the employer was protected from suit. The MyRA program of 2014 further encouraged savings within IRAs, but it also encouraged automatic increases within 401K plans. These efforts poured trillions of dollars into passively managed funds that mindlessly buy stocks regardless of valuation, thus creating the concentration risk we see in the market with its distorted stock performance.

Keep an eye out for employment layoffs. If layoffs are considerable whenever the next recession hits, a plethora of cash will come out of those passive ETFs, mutual funds and target date funds. The passive nature will possibly act in reverse, selling off the largest market capitalization stocks harder, similar to what occurred in 2022.

Louis F. Ruize
Director of Research/Portfolio Manager

Trade Settlement Changes

Starting May 28, 2024, the trade settlement period for U.S. and Canadian securities traded on U.S. exchanges will be shortened to one day after the trade date. Currently, the settlement period is two days after the trade date.

This is an industry-wide change for most security transactions, which includes stocks, bonds, municipal securities, exchange traded products, unit investment trusts, certain mutual funds and limited partnerships that trade on an exchange.

Investment Strategy

The U.S. economy remains, in many respects, very resilient so far in 2024. The U.S. employment picture overall remained positive during the first quarter and U.S. economic data continues to show strength. While inflation has come in over the last several quarters, U.S. inflation still remains sticky. The Federal Reserve continues to indicate they will be data dependent as they make decisions on the interest rate policy. With the continued U.S. economic strength, the Federal Reserve's job will be a little more challenging and likely keeping them from lowering rates at this time.

U.S. corporate earnings also have remained strong, aiding in the equity markets strength in the first quarter of 2024. Much of the focus during the last few quarters has been on AI (Artificial Intelligence). During the first quarter of 2024 markets have, at times, tried to broaden out to other sectors, but technology continues to lead the way once again.

We remain optimistic on the U.S. equity and fixed income markets. Our asset mix remains flexible during this time. Our focus remains primarily on large companies with quality earnings and strong fundamentals. Our asset mix range will vary based on client specific needs, objectives, risks and income requirements. Current asset mix ranges target money market and short-term government securities 5-10%, equities 50-70% and fixed income 30-40%.

Jeffrey S. Naylor
Executive Vice President/CFO

Check-up Time

It is that time of year when we remind you to get certain documents in place and updated. You have already gathered up the required documents to file your taxes for 2023, so why not continue along a similar path and get the rest of your "house in order."

The documents that I am referring to are as follows:

- Durable Powers-of-Attorney
- Healthcare Proxy
- Last Will and Testament
- Living Will
- Trusts

In addition, certain items, as listed below, need to be reviewed from time to time:

- Beneficiaries of Retirement Plans
- 401(k), 403b Plans, etc.
- Pension Benefits
- Health Insurance
- Life Insurance
- Business Insurance
- Refinance of Mortgage

Planning for now and the future will not only benefit you but also your heirs. As any of the following may apply to you, we suggest that you address them:

- Educational Expenses
- Gifting
- Major Repairs to Your Home
- Purchase/Lease of a Car
- Purchase of a Home/Second Home

Ralph H. Roberts, Jr.
Vice President of Client Services

VALICENTI
ADVISORY SERVICES, INC.
Asset management as individual as you

40 Years of Cultivating Relationships

Analyst Corner

Positive Market Influences	Negative Market Influences
Market & Economic Trend Resilience	Sovereign Debt Concerns
Disinflation	Commodity Resurgence

Following 2023's above average equity market returns, the first quarter of 2024 saw continuation of that strong trend, as the S&P 500 returned a sizable 10.6% on a total return basis. The disinflation trend, consistent rate outlook and continued positive consumption patterns have fed into a strong market momentum along the way. Understanding what may be around the corner for investors, as they attempt to look into the remainder of the year and the possible events that may shape outcomes is the tricky part. A few burgeoning trend changes to watch may be the movement higher once again in the long-term interest rates as well as the more nascent recovery in commodity prices, which could begin to change some patterns that have prevailed since the last half of last year and give rise to a new paradigm.

Within the main equity benchmark: Communications Services, Energy, Information Technology and Financial sectors all returned greater than the overall index with Industrials an honorable mention. This is notable in as much as Energy, Financials and Industrials performance represent some broadening out to the return profile relative to last year's Information Tech and Communication Services led dominance. All remaining sectors lagged with Real Estate being the lone negative returner.

As stated earlier, longer rates resumed a slight uptrend after trending down since the fall of last year. The 10YR Treasury yield rose over 30 basis points and the rate settled at 4.20% by quarter end. This weighed slightly on Q1's bond returns. Spreads tightened around 10 basis points on A rated corporate bonds, offsetting somewhat the higher rate move but not all of it. The FTSE U.S. Big Corporate Bond Index moved lower and registered -0.5%, while the more diversified Bloomberg U.S. Aggregate Investment Grade Total Return Index was down -0.8% through the first quarter.

As we head deeper into an election year, the Federal Reserve will grapple with rate policy going forward with key meetings occurring in May and June. If initial policy rate cuts do not commence by then, it could be that policy inflection does not happen until after the election, though Fed independence does not mandate that path should economic conditions warrant earlier action. The inflation/disinflation debate will likely come to an end at some point forward, followed by more policy clarity. Recent market ambiguity is presently leaving us with higher for longer narratives centered around policy patience, amidst possible evidence of persistent inflation, though it should be noted that the disinflation trend until now has been significant.

Positive Market Influences

- **Market & Economic Trend Resilience** – Strong market returns are happening against a backdrop of strong GDP output for the economy. The final release of Q4 2023 GDP saw an upward revision to a 3.4% annualized rate which is well above trend and, as of the end of Q1 2024, the Atlanta Fed GDP Nowcast for Q1 GDP presently is 2.5%, also above what is considered to be trend economic growth for the United States.
- **Disinflation** – The Personal Consumption Expenditures, Price Index year-over-year currently sits at a more reasonable 2.5%. This rate peaked at 7.1% in the middle of 2023 and there is a clear disinflation vector in place lending rise to speculation around the timing of the Federal Reserve rate cuts.

Negative Market Influences

- **Sovereign Debt Concerns** – Government spending is currently running several trillion dollars more than government income, creating very large deficits. Over time, these deficits are demanding an increasing amount of sovereign debt issuance to support the gap. With the Federal Reserve out of the picture in terms of balance sheet expansion, more of the issuance over time may have to finance with longer duration and by the private sector more exclusively, which may act ultimately as a tightening of conditions.
- **Commodity Resurgence** – Since roughly October of last year, agricultural, energy and industrial commodities have largely been in a downtrend or flat trend. Only recently and since late February have these prices begun to rise again. While not exclusively inflationary, rising commodity prices could have the potential to signal sticky inflation for a time, especially with such strong GDP prints. Higher prices in this arena also have the ability, in concert with higher rates, to rapidly brake the economy should consumers and monetary conditions not be strong enough to accommodate the prices. This is an interesting space worth watching although the move for now is more nascent.

Daniel P. Burchill
Security Analyst

Soaring Auto Insurance Premiums

Car prices are not the only thing giving folks sticker shock these days – it is also happening when the insurance premium statement arrives.

Premium insurance rates continue to increase for private auto insurers nationwide, up 14% year-to-date according to S&P Global, while the 2023 average inflation rate was 4.1%. Before the current insurance trend in the past year, private auto premiums' annual increases remained in low single-digit increases for several years. There was an exception to this trend during the pandemic, when insurers offered premium credits to compensate consumers for decreased driving. In turn, inflation and severe weather have had a rippling effect, driving up the costs of reinsurance, insurance for insurance companies. Not only do we see massive rate increases all over the country, but reinsurers have also pulled back in certain markets, leaving carriers with limited options at much higher prices for their own insurance coverage.

According to the S&P Global report released in January 2024, several auto insurers have seen cumulative percentage increases in their rates. Since 2022, Farmers increased by 34.7%, followed by Allstate at 30% and Liberty Mutual at 31.1%.

What continues to drive these rate increases and what can vehicle owners do to save money? Repairs and replacements of parts cost more than ever. This is due to supply chain issues, parts shortages and a tight labor market that has led to rising wages for auto mechanics. The market seems to be leveling with new and used car prices falling lately, but repair costs continue to climb.

Natural disasters continue to drive up insurance costs. In addition to car crashes, natural disasters are also contributing to higher insurance premiums and not just in states prone to hurricanes and wildfires. Minnesota consistently suffers from billion-dollar hailstorms. The Midwest has been especially hard-hit with derechos, tornados and hail. In December 2021 alone, the National Weather Service confirmed well over 100 tornados in Illinois, Iowa, Missouri, Minnesota, Ohio and Wisconsin; more than 60 of those hit Iowa. There were a series of derechos that stomped across the same territory in the last few years, kicked off by the August 2020 storm that did $11 billion worth of damage in wind, rain and hail. The record setting damaging costs fell to the insurers.

Insurance regulators in every state have a dual role: trying to keep insurance premiums low while also keeping the insurance companies' solvent, so they can continue to pay claims. According to the Insurance Information Institute, auto insurers paid $1.12 in claims last year for every dollar they collected in premiums. This year, that ratio is expected to be $1.09. According to the Insurance Information Institute, as premiums fell in the early stages of the pandemic when cars were parked for weeks, as drivers returned to the streets the number of fatal auto accidents jumped sharply, thus increasing premiums. The distracted driving accident claims have also increased each year with the use of cell phones and screen interaction.

Most states require drivers to carry auto insurance; however, there are ways to help lower your costs. Many insurance companies offer a discount for drivers who bundle their auto and homeowners' insurance. Others will offer a premium discount for those who agree to install an app on their phone, allowing the insurance company to track their driving habits. Choosing a higher deductible can also lead to lower premiums; however, you want to be sure the savings are worthwhile when making a significant deductible change.

If you would like a comprehensive review of your insurance program, please contact Valicenti Insurance Services, Inc. at (607) 215-0242 or visit our website at valicentiins.com.

Suzanne M. Valicenti, *President/CEO*
Valicenti Insurance Services

Schwab Updates – Spoofed Website Scams

The problem of sophisticated "spoofed" websites that are designed to convince users that they are visiting sites owned by legitimate businesses, like Schwab, are a growing threat.

One of the fastest-growing scams aimed at investors involves creating fake but very convincing websites that appear to be run by legitimate businesses, including the financial institutions you rely on. To spoof a website, bad actors purchase "sponsored links" to fake sites that appear at the top of search results. Their goal is to boost their site's visibility and lure unsuspecting users into clicking on them. These deceptive sites can pose serious risks by exposing investors to potential malware, identity theft and financial loss.

Here is what to watch for:

- URL errors and issues: Look for misspellings or unusual domain extensions. A single letter out of place might mean you are on a fake site.
- Grammar and spelling mistakes: Legitimate sites take care to avoid errors. If you spot poor grammar, spelling, or formatting mistakes in content, that is often your first clue it's a fake site.
- False security notification: Once you click on a site link, you are presented with a screen notifying you of a login issue and directing you to a hotline number. Wording on these fake sites may mention "unauthorized activity" or other details designed to trigger anxiety and panic.
- Request for personal information: Schwab will never ask you over the phone for your account login password. If someone is asking you for your account login password by phone, do not provide it.
- Privacy policy: Genuine sites will have a privacy policy available. If it is missing, think twice.

Here is how to protect yourself:

- Avoid searching for a site: Use your saved bookmarks for visiting websites, especially financial ones, to avoid the risk of phishing and downloading malware.
- Question urgency: Phishing attempts often create a sense of urgency. Take a moment to verify the information through official channels.
- Use secure networks: Access financial accounts only through secure networks and consider enabling multi-factor authentication where possible.
- Call before acting: If you have concerns about a site or link, it is always best to call us at (607) 734-2665 before taking any action, like downloading software.

Remember, we are here to help.

If you are ever in doubt about the legitimacy of a communication from Schwab or any financial institution or from our firm, please call us immediately.

For ALL Your Tax and Business Services Needs

Taxation

- Personalized tax preparation: Individual, Partnership, Corporation, Estates, Trusts and exempt organizations
- Tax planning for individuals and businesses
- Audit assistance or representation before tax authorities
- Online research capabilities for Federal and all 50 states
- Semi-annual client newsletter

Accounting Services

- Financial statement analysis and preparation
- Bookkeeping
- Sales tax returns

Business Consulting

- Business entity design: Sole Proprietor, Partnership, Corporation and Limited Liability Company (LLC)
- Business plan design and execution
- Analysis of business direction and strategic planning
- Fringe benefit evaluation

For ALL Your Wealth Management Services Needs

Portfolio Management

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- Individual retirement accounts (IRA's)
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- Endowment and Foundation accounts
- Business retirement plans
- Agent for the Fiduciary

Planning and Consulting

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- Financial
- 401(k) review and analysis
- Income
- Retirement
- Taxes