

INVESTMENT UPDATE

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UPCOMING DEADLINE

Please reach out to your advisor if you plan on making a 2023 IRA contribution – the deadline to make a Traditional or Roth IRA contribution(s) is April 15th. For SEP IRA contributions, the deadline is the due date (including extensions) for filing your federal income tax return for the year.

WHAT I SEE WHEN I WATCH BASKETBALL

BY DAVID BOOTH, FOUNDER & CHAIRMAN, DIMENSIONAL FUND ADVISORS | MAR 19, 2024

It's [my favorite time of year again](#)¹: March Madness, the NCAA competition held each spring to determine the national champions of college basketball.

Many fans look forward to predicting who's going to win the whole thing—what's become known as “bracketology”—but not me. In my mind, March Madness is captivating because [it's completely unpredictable](#)². What I love is witnessing an arena full of athletes trying their absolute hardest, working together to achieve a common goal. Watching college basketball provides clear evidence that we, as human beings, can do so much more together than we're capable of on our own.

In this way, it reminds me of the [human ingenuity that drives the stock market](#)³. The value of the stock market grows every year because of the power of people to solve problems in more and more inventive ways. In both basketball and markets, we don't know who is going to win, but we know someone is going to win—and that win will carry us all forward in some way.

What I'm interested in is seeing all these talented, dedicated people deal with uncertainty. How do they come together to solve problems? What works and what doesn't? What do they learn in the process? Only one team can win each game, but every single member of both teams is doing the absolute best they can do. And that's my definition of winning—in basketball, investing, and the rest of life, too.

What I love is witnessing an arena full of athletes trying their absolute hardest, working together to achieve a common goal. Typically I watch a game once, and if it's a team I'm really interested in, I'll go back the next day and watch it again. Many of my friends

are amazed that I'm willing to watch a basketball game when I already know the score. I value process so much that knowing the result doesn't diminish the experience. This time I'm trying to figure out the science of how the game was played—to see what was skill and what was luck. Were both teams performing at a high caliber, or was one team better prepared or better coached than the other? That's what I'm looking for. I want to learn from the experience, just like the players and coaches do.

This is a lot like what I've done over the course of my career in investment management. When we talk about empirical research in the science of finance, we mean studying the way stocks have performed over the course of the past 100 years to understand more about how the market works. We watch the game over and over and over again.

Because I'm getting so much more from a game than its outcome, I'm not devastated when my team loses—though I'm thrilled when my team wins. I understand that individual games and tournaments are just steps along a team's journey. Most long-term fans feel the same way I do. Team allegiance gets passed down through generations, and fans don't abandon their teams after a loss. They stick with them. Kind of like how longterm investors understand that the market will deliver short-term ups and downs, but provide a worthwhile reward in the long run, to those who stick around.

1. <https://my.dimensional.com/hoop-dreaming-is-fun-in-march-investing-realities-apply-across-a-lifetime>
2. <https://my.dimensional.com/uncertainty-is-underrated>
3. <https://my.dimensional.com/meme-investing-try-human-ingenuity-instead>

NOT OUT OF THE WOODS YET

A CLOSER LOOK AT TODAY'S INFLATION

BY CHRIS STENNETT, CFP®, SENIOR FINANCIAL ADVISOR, SALTMARSH FINANCIAL ADVISORS | MAR 1, 2024

It's March 2024 and it's been almost two years since our [last inflation deep dive](#)¹, when inflation was at decades-long highs. Since then, the Federal Reserve (Fed) aggressively raised rates to combat inflation but has recently paused as inflation slowed. Current inflation data looks good in recent context, so many are hopeful the Fed will lower interest rates. However, inflation is rising at concerning rates in a few key categories, which may force the Fed to delay cuts. Let's review the current state of inflation to learn why we're not out of the woods yet.

First, a quick review of inflation. Inflation is the growth rate of prices, described as an annual percentage. In February 2024, the Total Consumer Price Index (CPI) measured at 3.2% for all purchases. Put another way, if you delayed a purchase for one year, you could expect that purchase to cost 3.2% more the next year. It's not unusual for an economy to see prices go up every year. However, when inflation grows faster than wages, overall purchasing power declines. Over time, this can hurt the economy.

Though today's inflation of 3.2% is above the [Fed's target of 2%](#)², there has been a decline in the rate at which prices rise. That's not to say that prices don't feel high, but rather that the speed of price increases has leveled off. To put this into perspective, Chart 1³ details Total CPI over the last 20 years.

Though overall inflation has declined from 2022 levels, consumers still face many inflation-related concerns. For instance, Chart 1 shows we're still above pre-pandemic inflation levels. You can also see that in recent months, inflation appears to be moderating, rather than declining, as it was in prior months.

FOOD

One widely known price increase is in food. Food costs have gone up across the board, whether you're dining out or at home. Further, we see a pronounced divergence in cost based on where food is consumed. In Chart 2 you'll see that "Food at home" inflation (Blue) has returned to pre-pandemic levels with annual growth below 2%. However, "Food away from home" (Green) has had a high growth rate and continues to grow 5% annually. Restaurants were hit hard by pandemic restrictions on dining, and restaurants may continue to struggle if consumers reduce restaurant spending in light to combat higher inflation.

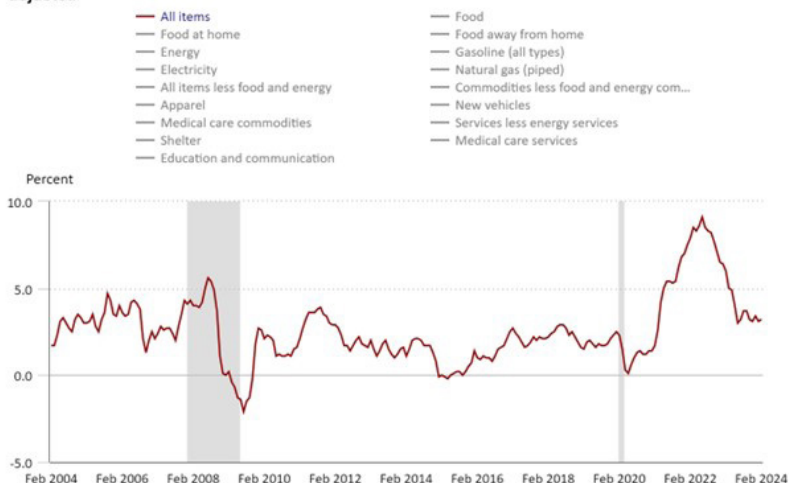
SHELTER

Shelter is another component of CPI that's been under a lot of pressure since 2020. Chart 3 shows housing price growth is still well above pre-2007 levels and the Fed's 2% target.

Though shelter costs appear to be on the decline, that figure may also be misleading. It is nearly impossible to get the data needed by the BLS to calculate this figure, so they use this [methodology](#)⁴ to make a guess. Their calculation to determine shelter inflation uses rent as a proxy for the housing market. However, the rental

CHART 1

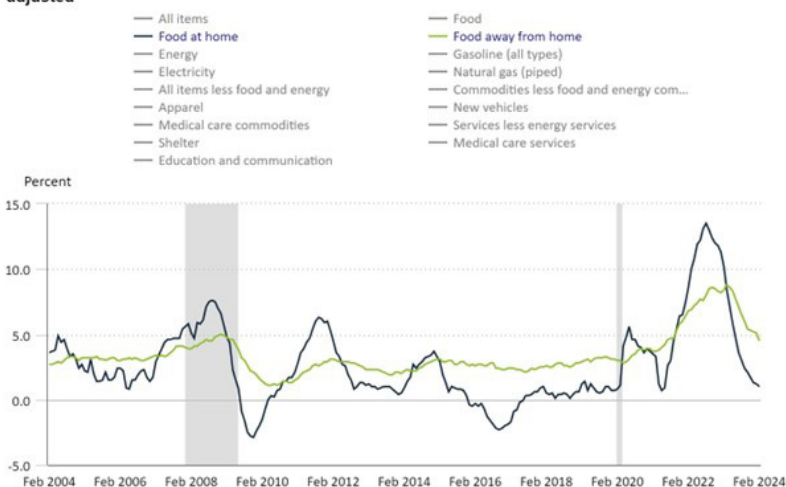
12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

CHART 2

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

market and the housing market are not one-in-the-same. While rent prices have declined, home sales have ground to a halt, as higher interest rates force many hopeful homebuyers to wait patiently for home prices to drop to afford the mortgage payments. As home sellers are waiting patiently for interest rates to drop, they also hope to sell their property at peak 2022 values. Should the Fed lower interest rates, home prices could increase further with accelerated demand. This would impact price growth but not necessarily influence the BLS data because of nuances in the calculations.

SERVICES AND WAGES

Another area where prices have continued to grow at a concerning level is Services. Chart 4 shows “Services less energy” (yellow) growing at over 5% per year. Services are increasing by around 5% per year, as businesses have increased prices to manage profitability.

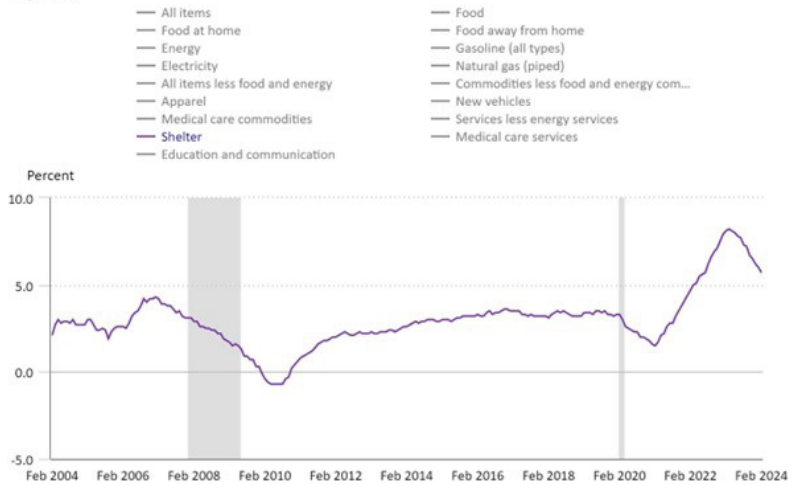
Fortunately, consumers have seen their wages grow to help offset inflation. Chart 5 shows the average hourly wage growth since 1997. Wage growth (5%) is above the current rate of inflation (3.2%). Today’s annual wage growth rate hasn’t been seen since before 2000. Though this doesn’t make prices at the grocery store any cheaper, it does make paying the bill more tolerable.

Ultimately, inflation has significantly decreased over the last 18 months but has not hit the Fed’s 2% target. The Fed is unlikely to lower interest rates if it still sees inflation as a threat. The recent inflation pulled forward years of price increases into a short period of time. This is why it feels like everything is so expensive. While things are in a better place now than they were 12 months ago, we’ll have to continue to monitor CPI closely. We’re not out of the woods yet.

1. www.saltmarshcpa.com/cpa-news/blog/the_silver_lining_of_today_s_inflation.asp
2. www.saltmarshcpa.com/cpa-news/blog/inflation_and_the_fed.asp
3. www.bls.gov/cpi/
4. www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm

CHART 3

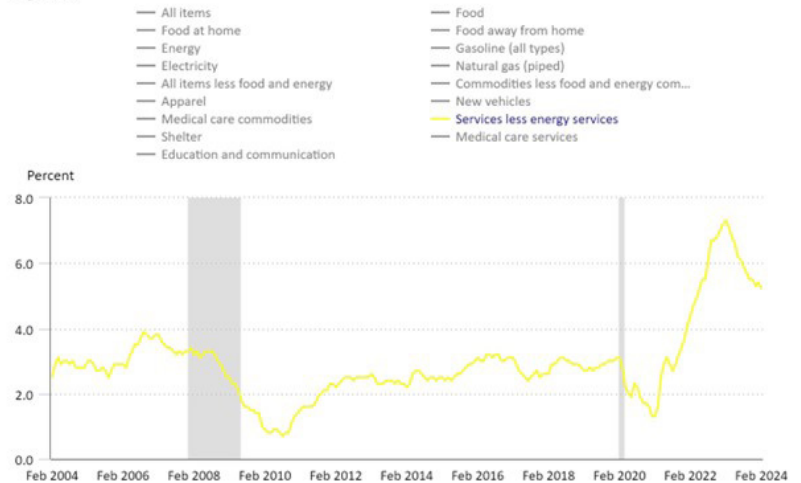
12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

CHART 4

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

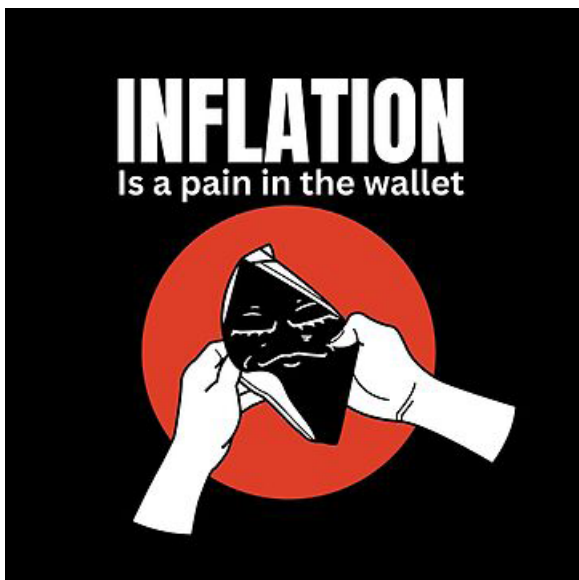
CHART 5

Wage Growth Tracker

three-month moving average of median wage growth, hourly data



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations



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ANNOUNCEMENTS & UPCOMING EVENTS!

THE BUILDING CONFIDENCE SERIES

NAVIGATING DIVORCE: PLANNING TO PROTECT YOUR ASSETS Thursday, May 30th | Virtual Webinar

Embarking on a new season of independent life after divorce comes with many changes. Women stepping into this phase may find themselves with questions about the financial, legal, emotional and logistical changes that come after divorce.

Our expert panel for this segment will explore ideas to make the informed decisions needed to make your fresh start a success.

Register: www.saltmarshcpa.com/seminars/#itm_268

CONGRATULATIONS, SARAH!

We are excited to announce that Sarah Horne has passed her CFP Exam, a major step to becoming a Certified Financial Planner™ professional! After successfully completing a seven-course curriculum and passing the final exam, Sarah will finalize her last steps to receive her CFP® designation in the coming months. As an Associate Financial Advisor, Sarah specializes in portfolio management and comprehensive financial planning services for her clients. Her background in education, for which she earned a master's degree, aligns perfectly with the firm's commitment to providing educational resources that empower clients to make well-informed financial decisions.



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