HUGHES FINANCIAL SERVICES, LLC
A BLUESPRING WEALTH PARTNER

Q1'24

Economic *update*

The first quarter of 2024 continued to reward investors who stayed the course and enjoyed the forward momentum of 2023's year-end rally. Both equity and bond markets performed well after the Federal Reserve confirmed that disinflationary trends were consistent and satisfactory enough for them to finally consider monetary easing this year. The S&P 500, experiencing its best first quarter since 2019, and the Dow Jones Industrial Average (DJIA) closed at record levels in a quarter that had all three major indexes finishing strong.

For the quarter, the S&P 500 returned over 10% and closed at 5,254 and the DJIA finished at 39,807, adding over 5%.

The resiliency of the U.S. economy continues to be impressive. Still facing a combination of inflation drag and a healthy workforce, the Federal Reserve has affirmed that rate cuts are anticipated this year but did not make any reductions in the first quarter. During their March meeting, the Federal Open Market Committee (FOMC) maintained the federal funds rate of 5.25 – 5.5% but signaled rate cuts were still on the horizon. Equity markets responded favorably to the optimistic news.

With inflation still a major concern for investors, the Fed continues to closely monitor the Consumer Price Index (CPI), which is a broad measure of goods and services costs. The CPI rose 0.4% in February and 3.2% from a year ago. The core CPI (CPI less food and energy) rose 0.4% for the month and was up 3.8% for the year. Energy costs increased 2.3%, which helped boost the inflation number. Gasoline, specifically, rose 3.6% in February, recouping January's -3.2% adjustment. Shelter increased 0.4% on a year-over-year basis. These two components accounted for over 60% of the CPI's monthly increase. Data from trips to the grocery stores and restaurants was stagnant, as food costs remained the same on the month.

Shelter costs remain high, up 5.7% in February. According to a weekly national Bankrate survey of large lenders, the average mortgage interest rate was 7.07% on a 30-year loan as of March 20, 2024. Despite the high rates, existing home sales still rose 9.5% from January 2024 to February 2024 according to the National Association of Realtors.

March employment statistics, considered to be an important measure of the U.S. economy's health, were stronger than expected, coming in at 3.8%. However, investors are torn between wanting a strong economy that supports earnings growth, while also wanting a weaker jobs market that would signal to the Fed to start reducing rates.

Overall, the first quarter of 2024 brought strong equity returns and bolstered investor confidence. However, we feel investors should be careful of becoming overly optimistic or complacent. We abide by our mantra of, "proceed with caution." Now is a good time to review your investments and confirm they are still aligned with your time horizon, risk tolerance, and goals. As your financial advisors, we are committed to keeping you apprised of any changes and activity that could directly affect your unique situation.

CELEBRATING 15 YEARS OF SERVICE

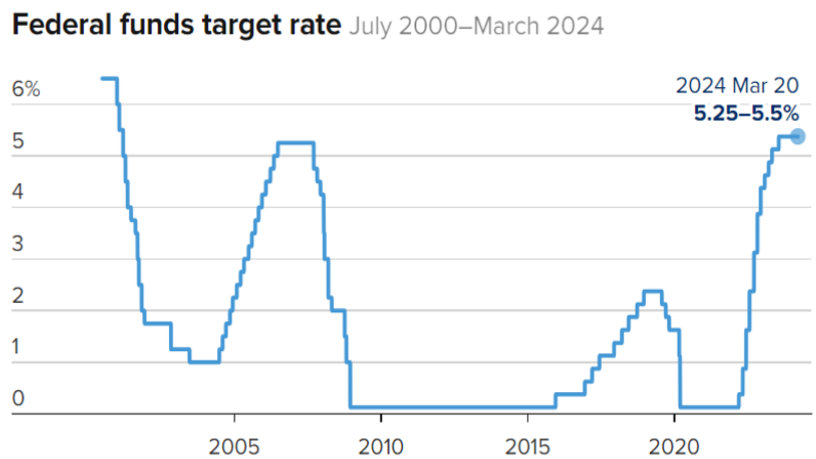
INFLATION & INTEREST RATES

Interest rates haven't changed since July 2023, when the Fed raised rates by 25 basis points. The March Federal meeting marked the fifth consecutive time that rates were held steady at a range of 5.25-5.5%. The stock market's immediate reaction was positive, with the S&P 500 gaining 0.3%, and the DJIA advancing nearly 0.4% afterwards.

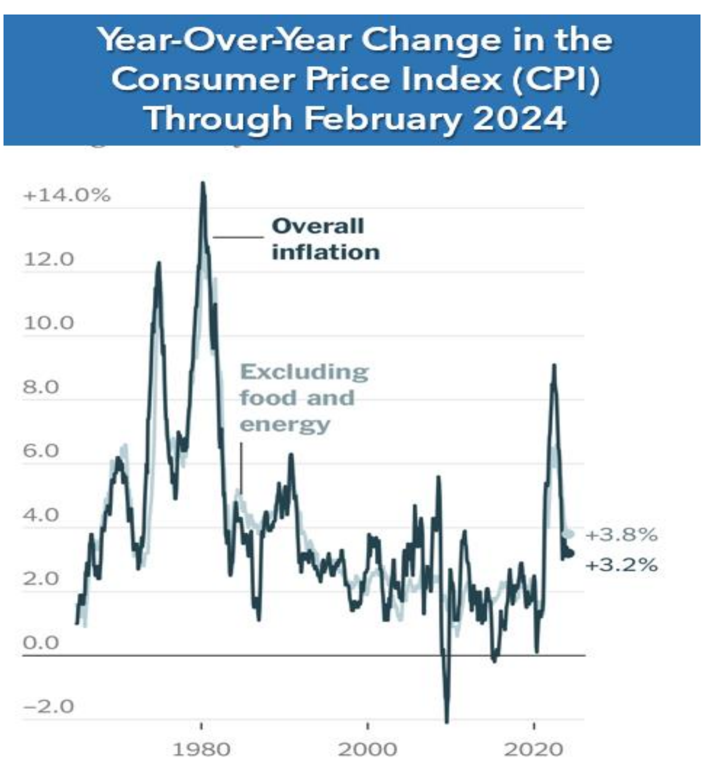
> **"Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated."**

While the inflation rate is well below peak levels of 9.1% (in 2022), the Fed doesn't expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably towards 2%.

During the March meeting, the average 2025 and 2026 rate views were raised to 2.9% and 3.1%, respectively, and the longer-run rate was lifted by 1/10 of a percentage point to 2.6%. The belief is that the tighter policy may last longer than anticipated to get back down to a 2% target rate.



Despite slightly higher inflationary data, the Fed remained confident that inflation is still heading toward their target rate. "I think they haven't really changed the overall story, which is that of inflation moving down gradually on a sometimes-bumpy road toward 2%," stated Chair Jerome Powell after the March Fed meeting. He continued, "We're not going to overreact to these two months of data, nor are we going to ignore them."



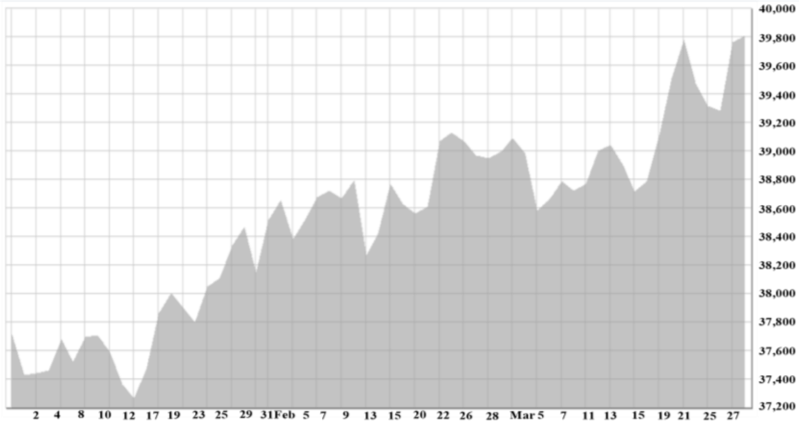
The Fed is still forecasting three rates cuts in 2024, a move that is highly anticipated by consumers who have been coping with the highest rate range level in more than 23 years. While still lower than the all-time high of 20% in 1980, any rate cuts will be welcomed by consumers.

As the Fed is committed to their goal of a 2% inflation rate and optimal employment levels, they continue to keep a close eye on these and other key indicators. Their mandate is to carefully watch the economy and assess incoming data to make appropriate decisions on if and when to lower interest rates. According to their notes, until the Fed has "greater confidence that inflation is moving sustainably toward 2 percent," they do not anticipate reducing the target range.

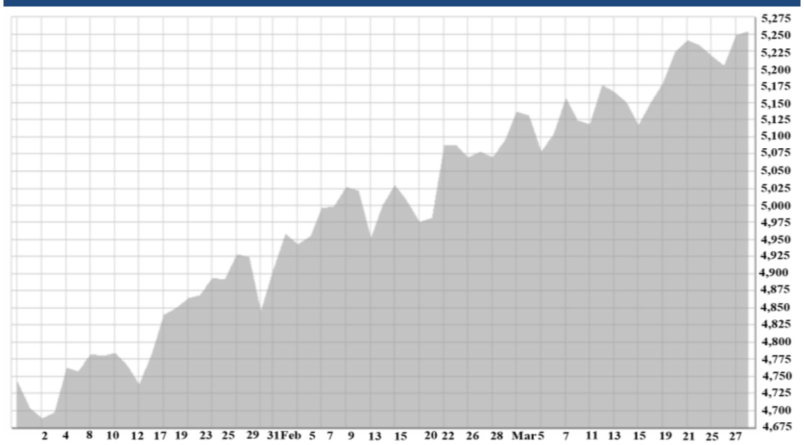
Interest rates and inflation are an integral factor to investors' financial plans, so we will continue to keep a watchful eye on any Fed movements and stay apprised of the key economic indicators.

S&P 500 and DJIA: Q1, 2024

S&P 500	5,254.35	+10.2%



DJIA	39,807.37	+5.6%



Source: bigcharts.com

MONEY RATES

(as posted in Barron's 4/1/24)

	LATEST WEEK	YEAR AGO
Fed Funds Rate *	5.33%	4.85%
Bank Money Market Z	0.60%	0.32%
12-Month Certif Z	1.95%	1.61%

Z – Bankrate.com * - Avg Effective Offer Source: Barron's, bankrate.com

Q1 HIGHLIGHTS

- The Fed held the federal funds rate range steady at 5.25 – 5.50% with no changes in the first quarter
- Inflation for February came in at 3.2% compared to a year earlier
- An inverted yield curve remains but does not necessarily mean a recession is coming
- In March, the Fed indicated we could see three potential interest rate cuts in 2024
- Several key factors could bring a possible market correction this year
- Staying the course and maintaining the consistency of a well-devised, long-term focused plan has historically served investors well
- We are here for you to discuss your personal financial situation and any concerns you may have

The Bond Market & Treasury Yields

Treasury yields rose with news of stagnant interest rates cuts, continuing the long-standing inverted yield curve. This means that short-term bonds are yielding more than longer-term bonds. The quarter ended with the benchmark 30-year yield at 4.34% and the 20-year yield settled at 4.45%. As of the end of the quarter, this yield curve has remained inverted longer than the previous record of 624 days in 1978. While many analysts consider an inverted yield curve to precede a recession, we have yet to see an economic downturn, leaving optimism for the Fed's prized soft landing.

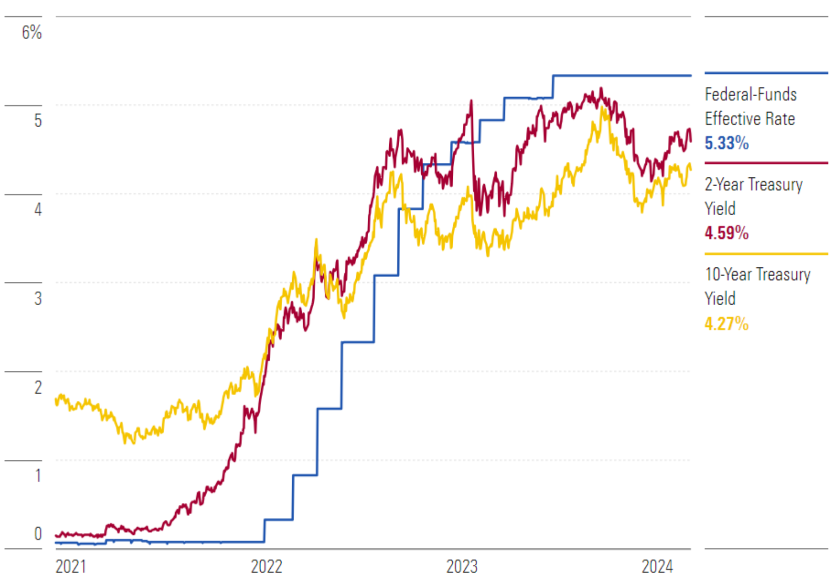
Treasury Par Yield Curve Rates as of March 28, 2024			
5-year	10-year	20-year	30-year
4.21 %	4.20 %	4.45 %	4.34 %

Treasury.gov

We will continue to closely monitor how the Fed's movements are affecting bond yields. With anticipated interest rate cuts in 2024, the opportunity to get lower-risk, higher yielding bonds narrows. For anyone interested in exploring adding more bonds as part of your diversified portfolio, please contact us. As your financial advisor, we want to help you make the best decision for your portfolio.

Please remember, while diversification in your portfolio can help you pursue your goals, it does not ensure a profit or guarantee against loss.

Treasury Yield and Federal-Funds Rate



Data as of Mar 20, 2024. Source: Federal Reserve Economic Database.

INVESTOR OUTLOOK

Although the year started on a strong note, investors are always best served by preparing for volatility. Interest rate movements have been a major market influencer and how MUCH, IF, and WHEN are the three main questions surrounding the Fed's anticipated rate cuts this year.

The Fed has indicated that this interest rate cycle has probably peaked. **"We believe that our policy rate is likely at its peak for this tightening cycle and that if the economy evolves broadly as expected, it will likely be appropriate to begin dialing back policy restraint at some point this year,"** Powell said in March. He added, "The general sense of the committee is that it will be appropriate to slow the pace of run-off fairly soon, consistent with the plans we've previously issued." While the Fed is looking forward to rate cuts in 2024 and beyond, the timing remains uncertain.

Currently, the U.S. economy continues to show signs of strength and resilience. Could we see the soft landing the Feds have been discussing the last few years? The Fed's goal is to give us a soft landing and avoid a major recession.

While we may avoid a major recession, we believe volatility will remain due to several factors, including continued inflationary pressures, political uncertainty in the U.S., and continued global conflict. Geopolitical risks, deficit spending and problems in commercial real estate are also factors that could cause serious economic problems.

There are six remaining Fed meetings in 2024. If they delay cutting interest rates again, or possibly reducing the number of predicted cuts in 2024, this could adversely affect a market that many analysts feel is already priced for the three anticipated rate cuts. Any deviation from this strategy could shake investor confidence. With many unknowns ahead, it's best to be prepared to see a market correction in the near future.

Most economists predict that, should a market correction (a decline of 10% or greater in the price of a security, asset, or a financial market) happen, it will be a modest one. According to the New York Fed, there is an almost 60% chance that a U.S. recession (a significant, widespread, and prolonged downturn in economic activity) will happen within the next 12 months.

Since 1954 (as the chart shows), after a first quarter of more than 10% returns in the S&P 500, the second quarter was higher nine out of eleven times. All those years included pullbacks (a temporary retreat of no more than 5-10% in the price of a stock) during the year; however, ten out of those eleven years ended with positive returns, at an average of 11% (coincidentally the average pullback was also 11%). Please remember as with all data, past performance does not indicate or guarantee future results.

While the Fed projects rate cuts in 2024 and beyond, recent history has shown us anything can happen in a short amount of time. A re-acceleration of inflation or unsatisfactory data on key indicators such as housing, labor markets, and core goods could deter the Fed from beginning rate cuts and altering their monetary policy.

An area to keep an eye on in the coming months is housing costs. Despite higher interest rates, home values continue to be high. A correction is possible, but inventory is still low, and lending standards have been revamped following the housing crisis during the 2008 Great Recession. This should help dissuade a major housing market crash. Housing economists believe that while housing prices may cool down, much to the enjoyment of buyers, we will not see a housing market crash.

Although not in the core Consumer Price Index, seasonal gas prices can be a key player in inflation rate movement. According to AAA, average gas prices have increased .44 cents since the beginning of the year. Year-over-year data shows that gas prices on average are .09 cents higher. The good news is that

S&P 500 Returns & Pullbacks
After a Total Q1 Return of 10% or more*

Quarter	Quarter Return	Next Quarter Return	Rest of Year Returns	Maximum Pullback for Rest of Year
Q1 1954	10%	10%	39%	-4%
Q1 1961	13%	0%	13%	-4%
Q1 1967	13%	1%	10%	-7%
Q1 1975	23%	15%	12%	-14%
Q1 1983	10%	11%	11%	-7%
Q1 1986	14%	6%	4%	-9%
Q1 1987	21%	5%	-13%	-34%
Q1 1991	15%	0%	14%	-6%
Q1 1998	14%	3%	13%	-19%
Q1 2012	13%	-3%	3%	-10%
Q1 2019	14%	4%	16%	-7%
Q1 2024	**Over 10%**	**?**	**?**	**?**
Average (excluding 2024)	**14%**	**5%**	**11%**	**-11%**
% positive		**82%**	**91%**	

**Rounded to closest %* *Data Sources: Truist IAG, Morningstar* gas prices are down about 30% from June 2022 when the highest average gas price was over $5.00/gallon.

While economic and inflation trends typically affect equity markets more than election results, this year includes a presidential race that will keep everyone on their toes. There are also key races for the Senate and House of Representatives so these election results could impact government policy and tax laws, leaving much up in the air. It's important for you to know that while the media will be hyper-focused on the upcoming election, you will need to remain focused on key factors such as economic growth, inflation movement, and interest rate changes when determining the best path for your investment decisions.

As mentioned earlier, as of the quarter's end, equity markets were still experiencing a rally that started towards the end of 2023. However, investors need to be prepared for a potentially overdue pullback. 2023 and the first quarter of 2024 rewarded long-term investors and we stand by our belief that investing should be measured based on long-term results. We believe volatility could still be prevalent and that investors should be cautionary when making any financial decisions. As always, a long-term strategy needs to be a benchmark for smart investors.

This is the time to stay vigilant and focused on your personal goals. Proactive preparation and providing you with a solid financial strategy that always considers your risk tolerance, time horizon, and potential tax implications is our goal. We will continue to keep an eye on inflation rates, economic growth data, and monetary policy moves.

As always, before making any change to your financial situation, please contact us. We can help you assess your options and make sure your plan is still in alignment with your goals.

We want to exceed your expectations. We take pride in offering top service that includes:

- A proactive, individually tailored approach to our client's financial goals and needs.
- Consistent and meaningful communication throughout the year.
- A schedule of regular client meetings.
- Continuing education for all our team members on issues that may affect our clients.
- Proactive planning to navigate the changing environment.

We always recommend discussing any changes, concerns, or ideas that you may have with us prior to making any financial decisions so we can help you determine your best strategy. There are often other factors to consider, including tax ramifications, increased risk, and time horizon changes when altering anything in your financial plan.

Please remember that as a valued client, we are always accessible to you. Feel free to contact us with any concerns or questions you may have.

We appreciate the trust and confidence you place in our firm and look forward to serving you.

The Highs and Lows of Gas Prices

The national average gas price as of March 21st was $3.527 per gallon. States like California, Hawaii, and Washington bring these averages higher. Meanwhile, states such as Colorado, Mississippi, and Kansas enjoy the lowest gas prices.

CALIFORNIA	**$4.954/G**	COLORADO	**$3.077/G**
HAWAII	**$4.699/G**	MISSISSIPPI	**$3.080/G**
WASHINGTON	**$4.375/G**	KANSAS	**$3.172/G**
NEVADA	**$4.266/G**	LOUISIANA	**$3.176/G**
OREGON	**$4.145/G**	TEXAS	**$3.180/G**

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At HFS, we believe financial education is a key step in helping you achieve a better future. Our Educational Series of workshops and webinars offer clear and practical investing education in two convenient and comfortable formats.

▶ Mid-Year Market Review

WORKSHOP: Wednesday, June 12
12:00 – 1:00 pm
WEBINAR: Thursday, June 13
12:00 – 12:30 pm

▶ Year-End Tax Planning for 2024

WORKSHOP: Wednesday, Sept 11
12:00 – 1:00 pm
WEBINAR: Thursday, Sept 12
12:00 – 12:30 pm

▶ Year-End Market Review in an Election Year

WORKSHOP: Wednesday, Oct 30
12:00 – 1:00 pm
WEBINAR: Thursday, Oct 31
12:00 – 12:30 pm

REGISTER ONLINE AT WWW.H4FS.COM

"It's waiting that helps you as an investor, and a lot of people just can't stand to wait. If you didn't get the deferred-gratification gene, you've got to work very hard to overcome that." – Charlie Munger

In November of 2023, billionaire Charles Thomas Munger, an American businessman, investor and philanthropist passed away at the age of 99. He was Vice Chairman of Berkshire Hathaway, one of the investment world's most respected investors and key business partner of Warren Buffett.

Both Munger and Buffett always excelled in simplifying the complicated world of investments for others. One of their main strategies was to carefully choose investments and hold onto them for long periods. Periods like the most recent six months have rewarded long-term investors. As both he and Buffett have always shared, patience is an important part of achieving investment results.

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Hughes Financial Services, LLC, is an independent Registered Investment Advisor (RIA) working closely with individuals and families in or near retirement to provide direction and strategies on how to financially achieve their personal goals and dreams. We take a holistic, personalized approach to bring all the pieces of your financial life together.

We adhere to the highest fiduciary standards when providing advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients a wealth of comprehensive financial planning expertise in the following areas:

- retirement planning
- investment management
- tax planning
- estate planning
- risk/protection management
- education planning

The financial advisors at Hughes Financial Services proudly hold a variety of professional designations and certifications, including the standard of excellence for financial planners, the CERTIFIED FINANCIAL PLANNER™ certification, and are well-versed in several financial disciplines. We specialize in helping employees and retirees of local government and school systems and the U.S. military with their retirement options.

Our combined education and experience allow us to offer you independent financial advice and solutions we are proud to provide.

Located in Herndon, Virginia (Fairfax County), Hughes Financial Services works with clients across the country.