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Robert G. Elliott's Financial News

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Personal Note

As you may remember, 2024 is the year of weddings for our household. My younger daughter, Tate, tied the knot last May. And my elder daughter and business partner, Sarah, got married in August. It was a wonderful celebration! My wife, Cassie, crushed it with the planning and everyone enjoyed a wonderful evening. For my part, I learned how to put together wedding gift bags. If anyone needs lessons on how to put small items in plastic pouches, attach name tags to dozens of satchels, and line them up in alphabetical order let me know. I am not sure if I am qualified as an expert in these areas, but I have a lot of experience!

Another event occurred last month that received some attention in the media for a few days, but then was quickly forgotten. On August 5th, the Dow Jones Industrial Average dropped 1,033 points. It was the largest one-day percentage decline in over two years and caught many investors by surprise. While no one can say for certain what causes the stock market to move up or down during a single session, there were some scary headlines regarding the global markets surrounding this drop. (Specifically, Japan.) While I don't typically talk about the goings-on in other countries, the story behind this is something that has been discussed in the media for many years: the **yen carry-trade**. This is a subject that comes up from time to time and I thought it might be helpful to briefly explain what is going on in Japan and why it impacts the markets in the U.S.

Japanese Interest Rates

At a time when most developed nations were raising interest rates to combat inflation, Japan kept its own rates extremely low. In fact, for many years, Japan actually had a negative short-term interest rate. A negative interest rate is when, instead of receiving money on deposits, depositors must actually pay to keep their money in the bank. This is a very uncommon tactic, but the point is to incentivize businesses and individuals to invest, lend, and spend money rather than pay a fee to simply let it sit. In other words, it's a way to stimulate a nation's economy – which is what Japan has been attempting to do ever since the global financial crisis back in 2007.

When you combine Japan's historically low rates with those of the United States, which are at 40-year highs, you get an interesting phenomenon: Extremely unequal currencies. For years, the Japanese yen has been very weak compared to the U.S. dollar. That's been a boon to two different crowds: big Japanese corporations and certain types of investors. (I'll explain more about the latter in just a moment.)

Japanese Currency

A weak yen benefits big Japanese companies, because it makes the goods they export much cheaper to buy, thus driving more business. However, a weak currency can make life much more difficult for consumers and small businesses, because it means buying foreign goods is much more expensive. This causes a general rise in prices, which leads to a familiar word: Inflation.

With inflation on the rise, the Japanese government finally ended the era of negative interest rates back in March, with their first rate hike since 2007. [1] But then, on July 31, Japan's central bank raised interest rates again. It wasn't a large hike – in fact, rates are now at a mere 0.25%. [2] But it was enough to set off palpitations in the markets.

You see, while Japan is finally hiking interest rates, the United States seems poised to start cutting theirs. (That's because inflation is coming down here, while unemployment, as previously mentioned, is on the rise.) As a result, the yen has recently appreciated in value compared to the U.S. dollar. Because a stronger yen is bad for big Japanese corporations, and could cut into their profits, investors have begun selling stock in these corporations. This sharp and sudden selloff caused the Japanese stock market to drop more than 12% on Monday, August 5. [3] It's the biggest one-day fall since 1987. [3] Another way to look at it? In just a single day, Nikkei 225 index — the equivalent of the S&P 500 in the U.S. – gave up all its gains for the entire year.

There's a saying that when a butterfly flaps its wings in Beijing, you

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Allie, Bob, & Sarah

Personal...

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can get a hurricane in Florida. That's definitely true in the markets, where chaos in one country's markets can lead to contagion across the globe. In this case, however, the rise of the yen also hurts investors on our shores in a different way: Because of something referred to earlier: **yen carry trade**.

This is a complex topic, but here are the basics in case you see this term on the news and want to know what it means. Because interest rates have been so low in Japan for so long, some investors have embraced the tactic of borrowing money in Japan at an absurdly cheap rate, then converting the cash into a stronger currency which they can then use to buy assets and invest in securities in the U.S. This strategy has proven extremely popular in recent years.

Because of the yen's sudden rise in strength, these investors are now scurrying for exits – selling off the assets they bought before having to pay higher interest rates on the money they borrowed. This is called "unwinding a carry trade," and when it happens all over, all at once, you get what we saw on August 5th 4: A massive selloff across global markets.

So, that's the story behind what's going on in Japan, and how it's affecting the markets here. Obviously, there is a lot to keep an eye on right now. Interest rates in the U.S. and interest rates in Japan. Inflation. Unemployment. And that's just the tip of the iceberg. While market volatility is unsettling, even upsetting, it's also a normal part of investing. And, having an understanding of subjects that impact the market will hopefully help you deal with the emotional roller coaster that can occur when volatility hits. And, you can always reach out to myself and my team if you have additional questions. We will do our best to answer them and even though my gift-bag experience might not help, hopefully our business knowledge will!

1 "Japan ends era of negative interest rates," *World Economic Forum*, https://www.weforum.org/agenda/2024/03/japan-ends-negative-interest-rates-economy-monetary-policy/
2 "Japan Raises Interest Rates for Second Time Since 2007," *NY Times*, https://www.nytimes.com/2024/07/31/business/bank-of-japan-interest-rate.html
3 "Japanese stocks crash in biggest one-day drop since 1987," *CNN Business*, https://www.cnn.com/2024/08/04/investing/japan-nikkei-stock-rout-intl-hnk/index.html
4 "Stock Market News for Monday, Aug. 5, 2024: Stocks Tumbled Amid Global Selloff," *Barron's* https://www.barrons.com/livecoverage/stock-market-today-080524

COMMUNITY SPOTLIGHT:
Room in the Inn

Room In The Inn serves the diverse needs of those experiencing homelessness in Nashville. Our roots are in our Winter Shelter program; since the winter of 1985, we have partnered with local congregations to offer emergency shelter during the coldest months of the year. Throughout the year, Room In The Inn offers crisis support and long-term solutions focused in four areas: health, education, income, and housing. We do this by building long-term relationships and offering hospitality to those who call the streets of Nashville home. At our downtown campus, we offer emergency services, such as our daily meal program, showers, telephone and computer access, storage and laundry; transitional programs encompassed in the Guest House, our comprehensive transitional recovery community offering recuperative care for the medically fragile and transitional programs for veterans; and permanent solutions, including our on-site permanent supportive housing community of 48 apartments for single men. Through the power of spirituality and the practice of love, we provide hospitality with a respect that offers hope in a community of non-violence.

Quick Facts:

- Over the past year, we served **over 4,000** unique individuals experiencing homelessness.
- Nearly **22,000** beds were provided to individuals in our Guest House transitional housing program.
- Individuals using our address as their own checked their mail over **17,000** times, allowing them to access essential services like identification, housing, and job applications.
- Almost **5,000** showers were provided for those who might not otherwise have regular access to personal hygiene resources.
- Nearly **45,000** hours of classes were provided in our daytime educational engagement activities, called Hope University.
- Over **100,000** meals were provided through our Dining Services program.

A Note from Allie:

The weather in Nashville is finally starting to cool down just a bit and actually feel like fall! My daughter, Lucy, started a new school which she is loving! This fall, she will start some new activities: ballet and karate! I'm mostly excited to see her in the outfits for these activities. We are also looking forward to taking her to Disney World for the first time next month with all of her cousins! Fortunately, my sister-in-law lives in Florida and is a Disney pro, so she is planning everything for us! We are very glad to just be along for the ride. I hope everyone has a good fall and enjoys some cooler weather!

Bonds: Not Just for Retirement

Bonds can be a good investment option at all stages of your life, not just when you retire.

During Childhood

Savings bonds can be a model way to teach the children in your life the importance of saving and growth. Though these bonds might no have the initial thrill of toys or cash, they can provide a unique opportunity to instill in young people the basics of saving and investing and even increase the probability that you'll raise financially savvy adults. The gift that keeps on giving, savings bonds will not only provide children with intermittent interest payments that they can either invest, save, or spend, but a sizeable return once their bonds mature during their college years and beyond. A Treasury Direct Series EE bond, for example, is minimally guaranteed to double in value in 20 years and pays monthly interest payments for up to 30 years.

In Your 20s

Once you enter your 20s, bonds may no longer hold the appeal they might have afforded you as a child, but they're still useful in a more grown-up way: retirement. Though most of your growth-centered retirement account will likely be in stocks, you might also consider a small allocation of bonds as an anchor that can provide some stability to your investments. After beginning your retirement contribution plan, focus on paying off student loans and building a savings account for emergencies. If you still have extra money to work with and you have a specific goal down the road, such as graduate school or saving for a down payment on a home, annual payments from a fixed-income investment such as bonds can help you reach your goals with minimal risk. Depending on the type of bond you purchase, bonds don't come with early withdrawal penalties should you run into an emergency.

In your 30s and 40s

Though it may seem like a lifetime away, you're now a decade or two closer to retirement, so it's time to rethink your asset allocation. Even though you're more likely to be serious about investing and retirement – perhaps opening an IRA or increasing your 401(k) contributions with raises or bonuses – you may want to rethink your risk tolerance, even if you're just getting started in the investment arena. Should the market happen to take a downturn and you're still entirely invested in stocks, you no longer have as much time to recover, particularly if you plan on retiring younger. Bonds can lend more security to your portfolio, allowing you to still work toward financial goals but in a less risky way.

By now, you may have also inherited money from a grandparent, great uncle, or even parent. If you'd like to invest this money for a specific goal down the road, such as your child's college education or a kitchen remodeling, individual bonds can provide you with semiannual interest payments, and depending on the bond type, and grade, a guaranteed total return.

Approaching Retirement

Now that you're inching closer to retirement, it may be time to take a more conservative approach with your investments rather than exposing them to the volatility of the stock market. Whereas before you might have been more aggressive with your portfolio growth, you may want to consider protecting what you've worked so hard to establish by transition-

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Municipal Bonds

We offer the following bonds subject to prior sale or change in price as of September 3, 2024.

Ref No	Issuer	Maturity Date	Coupon	Yield to Maturity	Yield to Call	Call Date	Rating	Price*
1	Met Gov't Nashville Belmont Univ	05/01/46	4.000	4.110	n/a	05/01/31	A	98.430
2	Knoxville Gas Rev	03/01/41	4.000	4.000	n/a	03/01/26	Aa2 / AA	94.000
3	Columbia Co	12/01/44	4.000	3.930	3.880	01/01/32	AA+	100.830
4	Harpeth Valley TN Utility Wtr/Swr	09/01/40	4.000	3.860	3.650	09/01/29	AA+	101.580
5	Williamson Cnty Tn GO	04/01/36	3.130	3.550	n/a	04/01/27	Aaa	95.99

Callable at 100% beginning of the call date above and every call date thereafter with 30 days notice.

In addition to the bonds listed, we have several other corporate bonds available. If you are looking for a specific bond or maturity, please feel free to contact me with your requests.

We are also interested in buying corporate bonds. If you have bonds for sale, please call me for a bid and details on how you can convert your present bonds to cash or alternative investments.

Finally, new bonds are coming to market every day. If you give me a call, I will be more than happy to go over current market offerings and conditions with you.

**Prices Subject to Change*
Although the information and statistics are not guaranteed, they have been obtained from reliable sources and are believed to be accurate. All put/call information may not be displayed and &Partners assumes no responsibility for such undisclosed features or omissions. All are subject to market conditions and/or prior sale.

Bonds... *Continued from Page 3*

ing a larger portion of your portfolio to bonds.

Beyond retirement planning, bonds can now help you reach specific goals, such as funding a new grandchild's college education down the road or achieving your dream of a vacation home in the tropics. Because bonds come with a variety of maturity dates, whether your goals are approaching in 20, 10, or even 5 years, bonds can help achieve them, with less risk than stocks but most likely a better return than the savings account at your credit union.

Your Golden Years

Collecting your Social Security benefits is one thing, but you may not be as thrilled about taking any kind of distribution that might dip into your retirement principal. This can be an ideal time to begin focusing predominately on bonds, which can offer numerous advantages throughout your retirement years. At this point in your life, the goal is to retain your principal as long as possible, since it's impossible to predict how long you'll live. Additionally, the more you can preserve in the long run, the more you can leave to loved ones when you die. You'll need an investment plan that maximizes your retirement accounts by affording you with enough interest to live comfortably without liquidating your principal. Because your income is likely entirely dependent on Social Security benefits and investments, it may not be prudent to expose your retirement funds to the volatility of the stock market. A bond fund can provide enough interest to subsidize your income while preserving enough of your principal to outperform inflation. Furthermore, tax-exempt municipal bonds can help shelter you from a higher tax bracket.

The best financial strategy at any age is an asset allocation tailored specifically to your personal goals and risk tolerance. Please call to discuss further.

A Note from Sarah:

The summer is ending quite nicely for me. I got married in early August and I'm headed on my honeymoon at the end of September! My husband, Jake, and I are enjoying being newlyweds. We've been trying new restaurants and relaxing after all the wedding planning. I'm excited for the adventure of married life, but so far it's been a blast! P.S. My new name is Sarah Emmerick!

Organizing Your Estate

Estate planning is an ongoing process that rightly entails careful recordkeeping, review, and updates for the rest of your life to keep up with changes in the markets, laws, and your family. When you've finished creating the plan, the next step is to make it possible for your survivors to activate it easily and confidently when the time comes. That means organizing your estate so all those documents are readily available.

While it isn't necessary or even desirable to keep every piece of paper documenting your financial life, keeping the most important documents well-organized can save significant time for settling your estate.

Recognize that it's not just the estate documents you've created that you have to organize. It's also a wide array of documents that serve as proof of purchase and ownership of your assets which document ours and your spouse's key life events. One of the best ways to organize them all is to collect them by category and create another master document that explains what they are, where they are, the first steps your spouse needs to take to get the settlement of your estate started, and contact information for all the advisors with whom he/she needs to connect.

Below is a description of documents your spouse needs, with examples of specific documents in each category. After collecting them, store them in a place that protects them from fire and water – either a home safe or a safety deposit box at a bank.

- **Estate planning & legal documents:** Your last will and testament, living will, all trust documents, power of attorney declarations, and any funeral instructions. Other legal documents including pre- and post-nuptial agreements, corporation or partnership agreements, and leases.

- **Personal documents:** Certificates of birth, marriage, and death of other key relatives, divorce and separation agreements, adoption papers, and military records. In addition, make copies of your driver's license, Social Security card, health insurance and/or Medicare card, and any organ donor cards.

- **Financial account statements and securities certificates:** Keep and periodically refresh all your bank, brokerage, mutual fund, and other investment account statements. Also include any stock, bond, or saving certificates.

- **Copies of your life insurance policies:** Make sure you include copies of the beneficiary designations and any recent statements of cash values.

- **Real estate documents:** These should include all deeds, mortgages, and title documents, and copies of your homeowners' insurance policies for all properties you own.

- **Retirement plan documents:** Be sure to include all plan and account documents, beneficiary designations, and statements of all workplace retirement plans, IRAs, annuities, and pension plans you own and statements on your Social Security benefits.

- **Vehicle documents:** All documents related to your automobiles, motorcycles, scooters, boats, and airplanes you own. Include all titles, loan statements, and insurance policies for each vehicle.

- **Credit card and outstanding debt documents:** Keep and periodically refresh copies of your credit card, education, and any other outstanding personal loan balances.

- **Tax returns:** This file should always contain full copies of at least three years of federal, state, and local income tax returns.

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