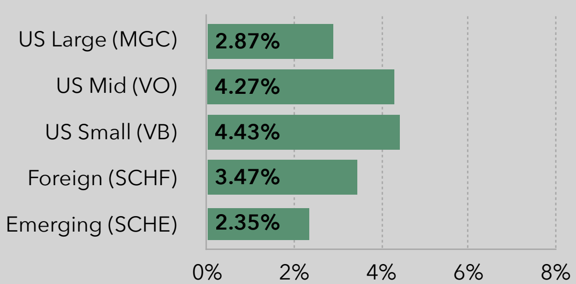
March 2024

Economic Data

- 303,000 jobs were added in March; the unemployment rate edged lower to 3.8%
- Retail sales were up 0.6% in February with building materials & garden rebounding 2.2%
- Y/y inflation (CPI) scorched higher to a 3.5% pace in March as energy flipped positive; the core rate (less food and energy) grew at 3.8%
- Existing home sales were up 9.5% in February but are still down 3.3% y/y; the median home price rose to $384,500

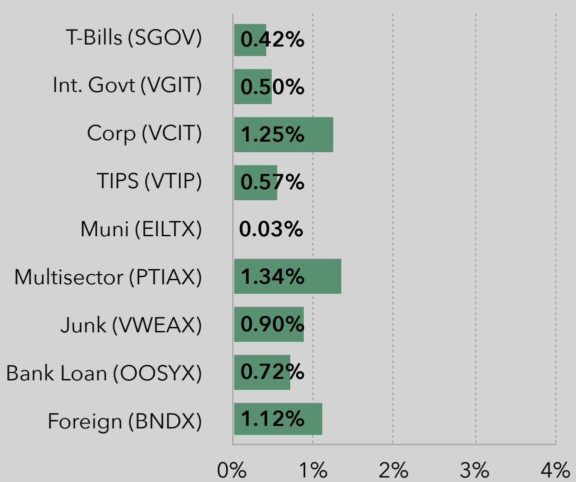
Stocks

March Returns



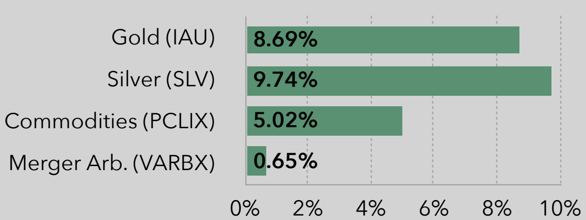
Bonds

March Returns



Alternatives

March Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

Gold Bugs Are the Crypto Bros of Old

A gold bug is an investor who adamantly believes that gold is the only true measure of wealth and its price is destined to increase in perpetuity. They are always telling whomever will listen that its price is destined to break out soon, and you need to stock up on gold before "SHTF", whatever that means. I usually picture them to be old, cranky men with a penchant for combing the beach with metal detectors and yelling at people to get off their lawns.

Although they are often viewed as rivals to their younger brethren, the upstart crypto bros, gold bugs usually harbor a similar distrust in fiat currency systems and central banking policies. Both also get increasingly vocal and obnoxious as the prices of their favorite assets go up. It's quite deafening at the moment, as you might have noticed.

Gold Price (1 oz)

Despite some similarities in appearance and behavior, I am not a gold bug. I do, however, see a place in a well-diversified portfolio for the shiny metal. I believe it to be a hedge against against inflation in the form of currency devaluation. I also think it to be a safe-haven asset in times of geopolitical instability, which, well… take a look around.

Ever since the financial crisis, gold has had an inverse relationship with real yields. This sort of made sense because there is an opportunity cost to holding gold: it doesn't pay interest. This relationship broke down about 18 months ago, though. If you go back before the financial crisis, there was no significant correlation between real yields and gold. In fact, real yields of about 2% were sort of the sweet spot and very supportive of gold. Which, as it happens, is right around where 10-year real yields have been as of late.

On the supply side, gold mine production peaked in 2018 at 3,300 metric tons, and gradually fell to 3,000 metric tons last year. On the demand side of things, there has been a lot of money pouring into gold. According to the World Gold Council, central banks purchased a hefty 1,037 metric tons of gold in 2023 in an effort to diversify their reserves away from the US dollar and other fiat currencies. This was led by China, Singapore, and…Poland? Sure, okay…might be time to buy some zloty? Turkey has been the biggest buyer so far in 2024.

There is a lot of demand for gold from individuals, too. The price has broken out above its years-long malaise in the roughly $1,700 to $2,000 price range and today surged to a new an all-time high north of $2,400. Today's investors need not hunt sunken ships for fabled Spanish Doubloons, or travel to where I currently am to buy Krugerrands from the South African Mint. They can just get it where they get most things—at Costco—which is currently selling up to $200 million worth of Swiss-made PAMP gold ingots per month, according to an analyst at Wells Fargo.

It's difficult to prognosticate where gold prices will top out. It's tempting to take profits with prices so high. On the other hand, when gold has broken out by more than 10% of its previous all-time high in the past it has had a tendency to go parabolic. And it's little buddy silver is usually not too far behind.

5.1% on Your High Yield Savings

I was disappointed to get an email from Marcus last week informing me that my online savings account yield was dropping from 4.5% to 4.4%. As it happens, though, Altruist just launched its own savings account program and they are offering 5.1%. I have moved all of my emergency savings over. **Please reach out if you would like to discuss opening an account.**

Portfolio Positioning

Inflation (CPI) came in hotter than expected for a third month in a row as energy prices flipped positive. The base effect will be evident over the next four months as oil prices have an even lower previous year comparable during that stretch, meaning inflation could heat up further yet. This is making the market realize yet again that rate cuts aren't coming as soon as they would like. Two or three cuts are still considered likely by the end of the year, but that is a far cry from the six the market was pricing in a few months ago. There are even whispers of a potential rate hike—wouldn't that be interesting. All this continues to lean us towards a "t-bill and chill" allocation strategy for the time being.

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Tactical Asset Allocation

Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income			●		
Duration	●				
Inflation				●	
Credit	●				
Foreign			●		
Equities		●			
Large Cap	●				
Mid Cap		●			
Small Cap			●		
Developed Intl.	●				
Emerging		●			
Alternatives					●
Commodities					●
Hedging					●

Binge Box

Slow Horses (Apple TV+)

When I think of spies, I think of James Bond. Supremely confident, undeniably handsome, suave with the ladies, impossibly skillful, stylish, and cultured. The reality, I reckon, is nothing like that. They're probably just a bunch of rather dull bureaucrats with weapons training. And being people, they probably have the same problems and struggles as other people do. Enter Slow Horses, Apple TV+'s spy thriller about a rag-tag group of MI5 agents whose mistakes and shortcomings have relegated them to the career-ending Slough House division of the agency. Three great seasons starring Gary Oldman are now available to watch.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.