



GOLDENSTONE
WEALTH MANAGEMENT

Varshney & Villegas Private Investments

"Your Stepping Stone To A Golden Life"



GOLDENSTONE
WEALTH MANAGEMENT

Market and Economic Update

North State BIA 2024



GOLDENSTONE
WEALTH MANAGEMENT

www.goldenstonewealth.com



THE MOSTLY
GOOD NEWS AND
SOME BAD NEWS



THE MARKETS WERE RIGHT IN 2023

**MOST ECONOMISTS WERE WRONG
ABOUT RECESSION AND INFLATION**

PS: Thankfully, I am a Capital
Markets Portfolio Manager First for
My Day Job! I was right in 2023.



WHERE IS THE RECESSION?

Q1 GDP up 1.4%

Q2 GDP up 3%

Q3 GDP Expected up 3%

2024 US GDP Growth Estimate 2.5%

Europe's Economy is on Brink of Recession

China's Economy is Soft

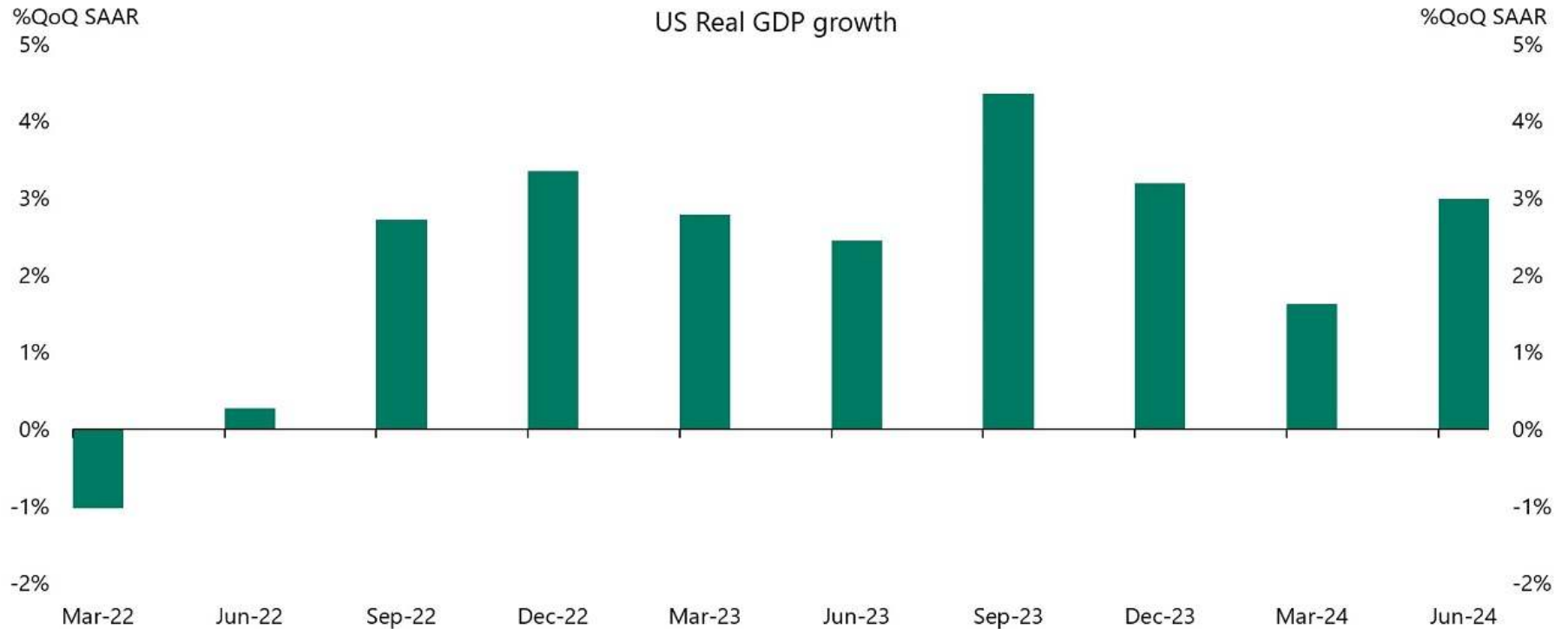
2025 Recession? Likely Not

Where is the GDP Slowdown?



APOLLO

Where is the slowdown?

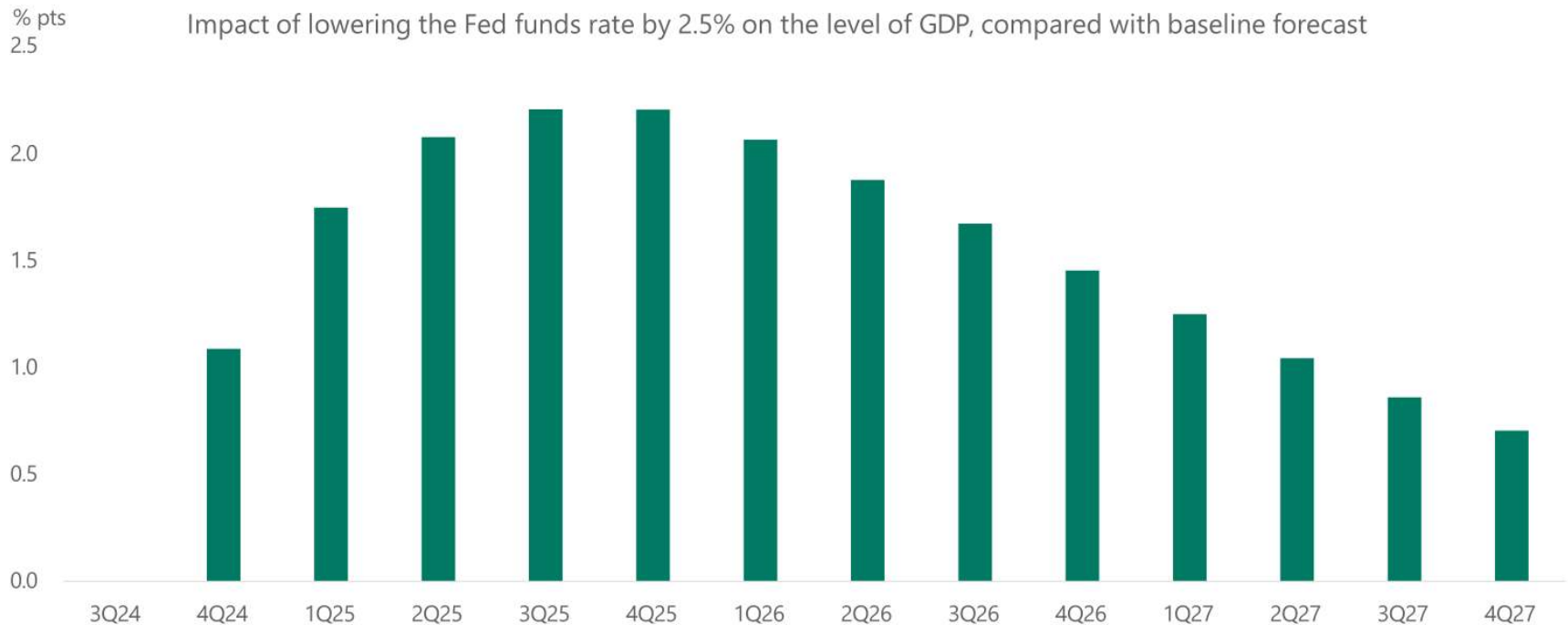


Rate Cuts Will Serve as Tailwinds to Stimulate Growth



APOLLO

Fed normalizing interest rates to 3% will boost GDP by 2.2%



Source: Bloomberg SHOK Model, Apollo Chief Economist. Note: Monetary policy shock: 100bps decline in the Fed funds rate and Fed forward guidance signaling that another 150bps of cuts are coming (to ultimately bring the Fed funds rate down to the Fed's estimate of r-star at 3%).

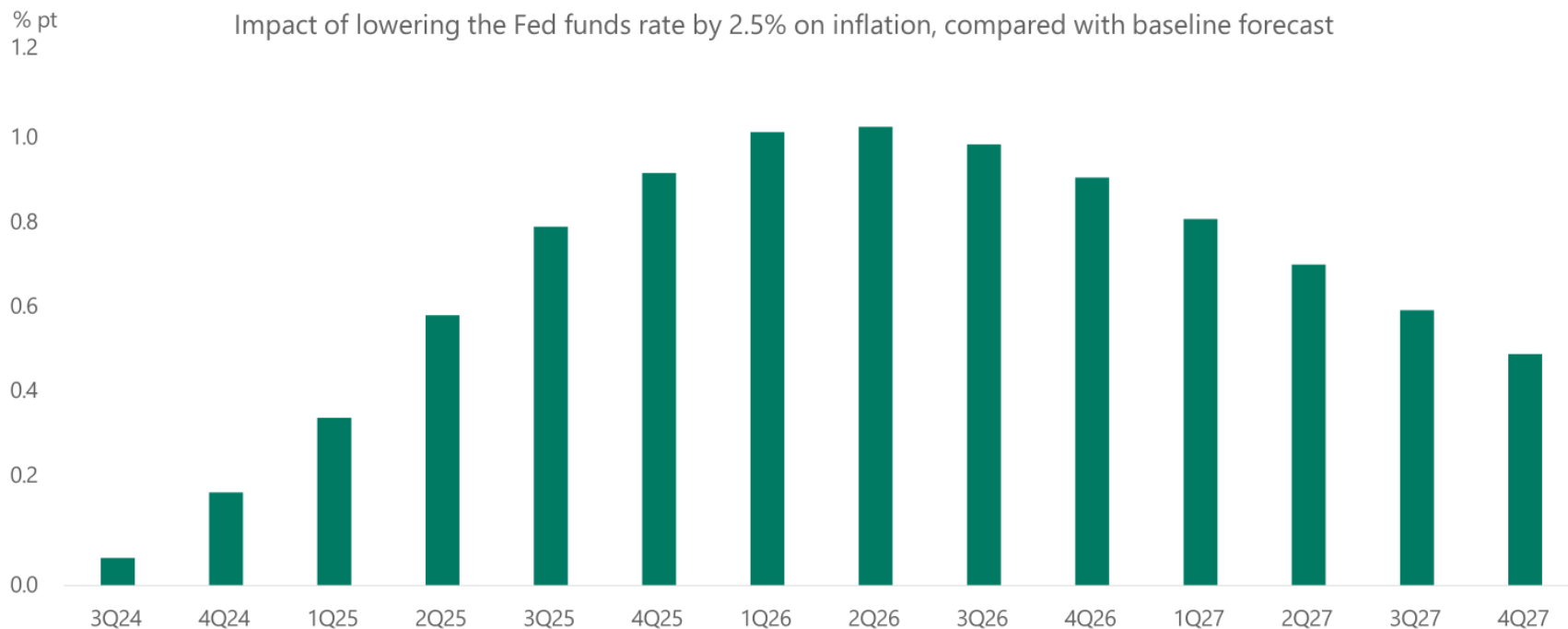
42

Monetary Policy Could Be Inflationary Again



APOLLO

Fed normalizing interest rates to 3% will boost inflation by 1%

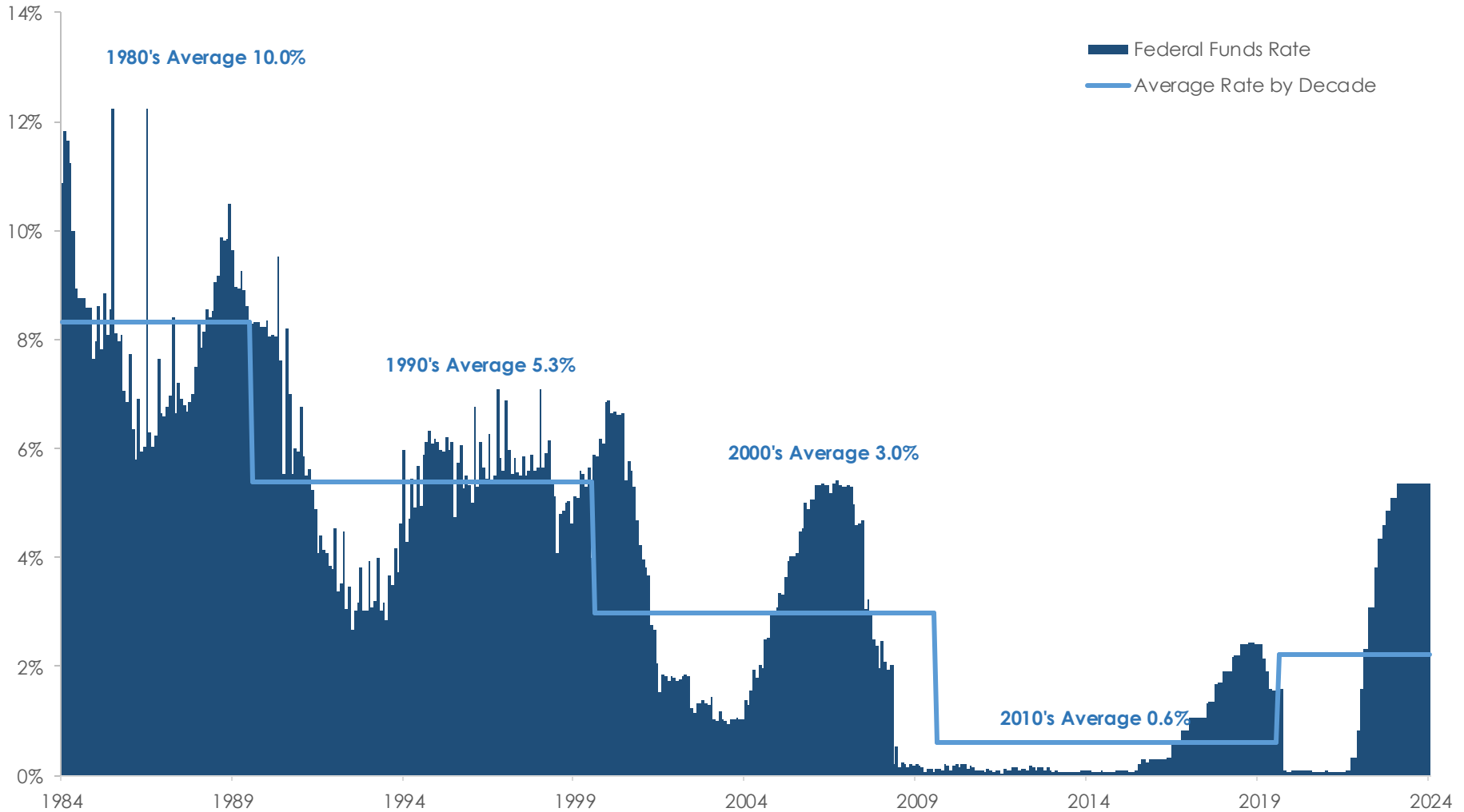


Source: Bloomberg SHOK Model, Apollo Chief Economist. Note: Monetary policy shock: 100bps decline in the Fed funds rate and Fed forward guidance signaling that another 150bps of cuts are coming (to ultimately bring the Fed funds rate down to the Fed's estimate of r^* at 3%).

43



Federal Funds Rate – The Cutting Cycle Has Begun Globally



Disclosures: Monthly datapoints from the Federal Reserve since the 1980s. The Federal Funds Rate is the target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.



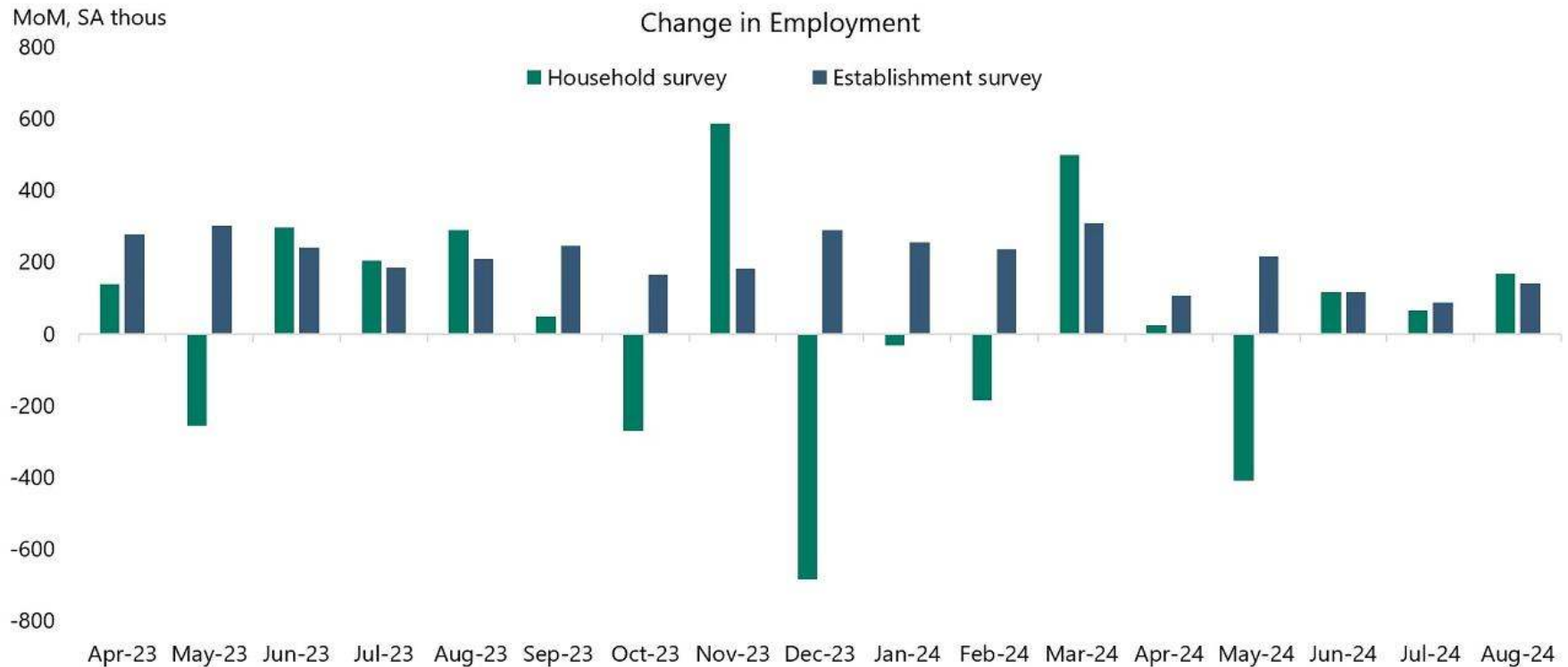
JOB MARKET GETTING SOFTER

- National Unemployment Rate 4.1%
- California Unemployment Rate 5.2%, Sacramento at 5.3%
- Employers Asking Employees back into office, Quit Rate Drops

Labor Market Cooling But Not Collapsing

APOLLO

Difficult to see any slowdown in the labor market in the Establishment survey and the Household survey

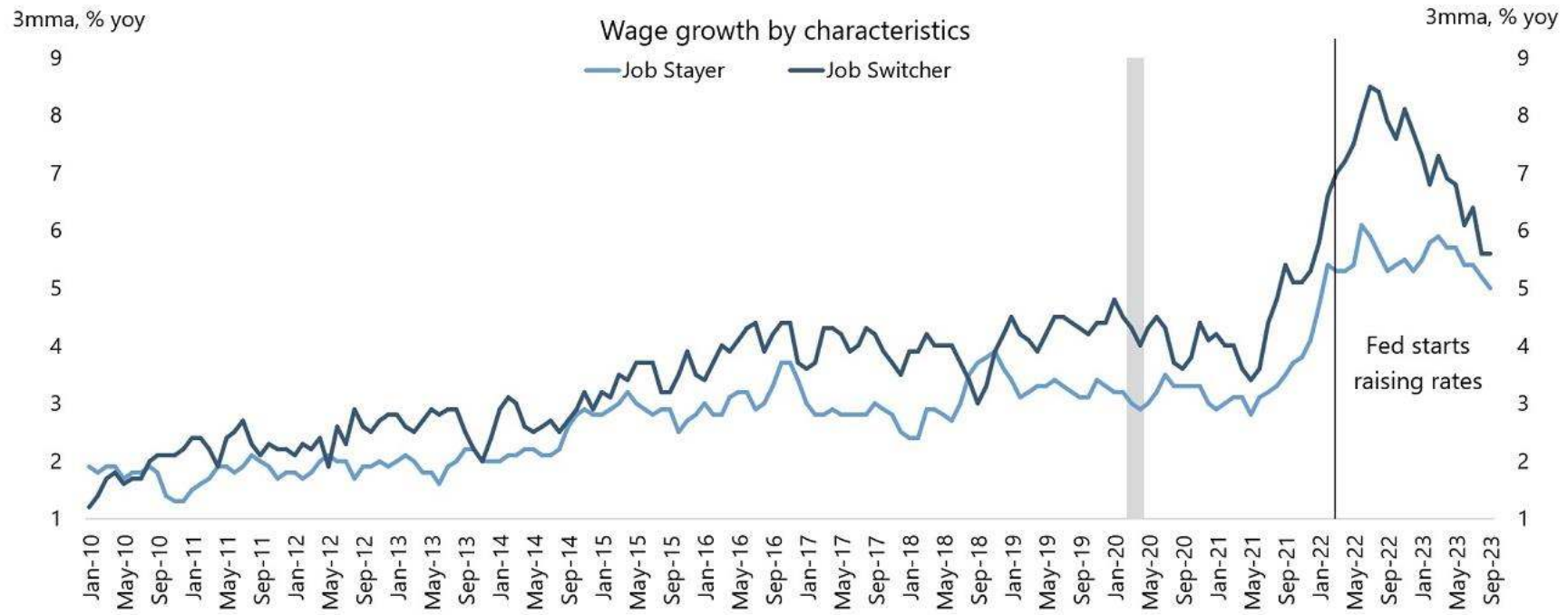




Wage Growth (3.8%) Declining Whether You Jump or Stay

APOLLO

Weaker labor demand: Wage growth for job switchers is declining

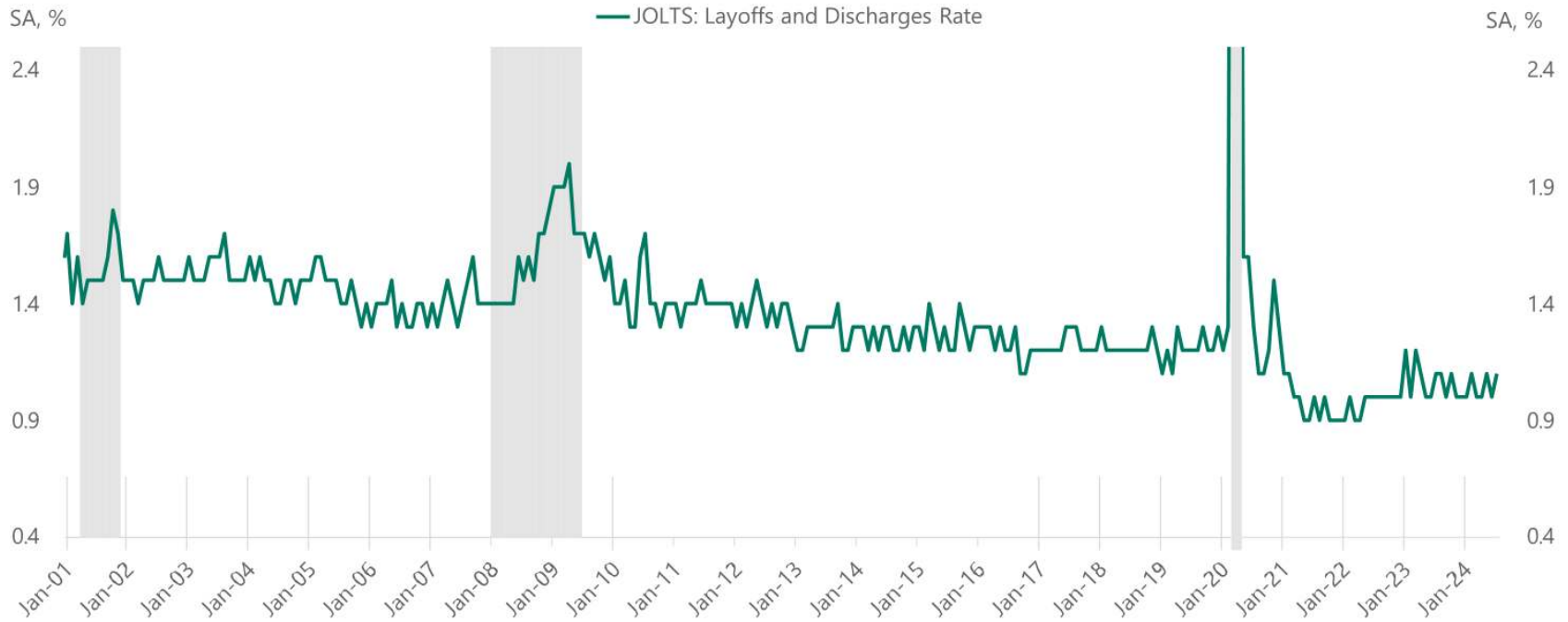


Quit Rate has Declined – Layoffs Are Still Low



APOLLO

Very low levels of layoffs



Source: BLS, Haver Analytics, Apollo Chief Economist

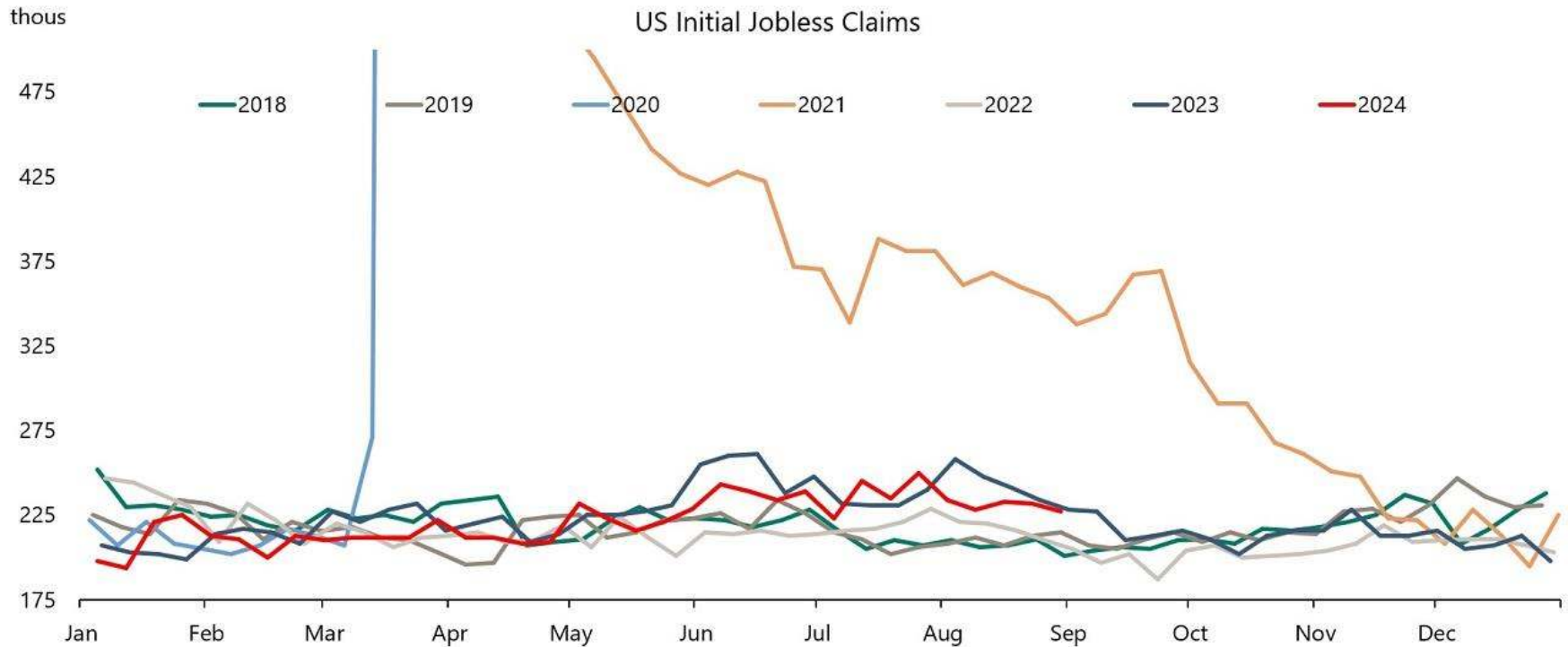
39

Jobless Claims Declining – Jobs to Seekers 1:1

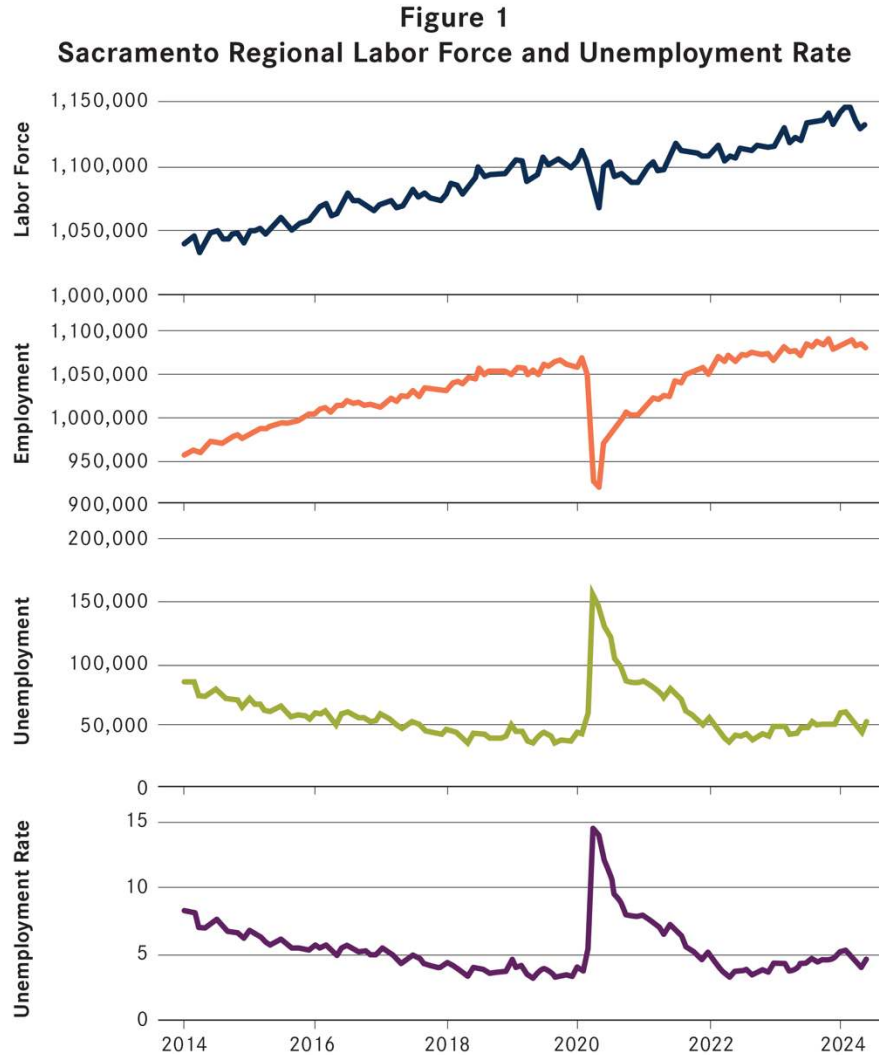


APOLLO

Weekly initial jobless claims



Sacramento Labor Market Flat to Declining



Sacramento Labor Market By Sector/Industry



Figure 2

Number of Jobs in Sacramento by Sector

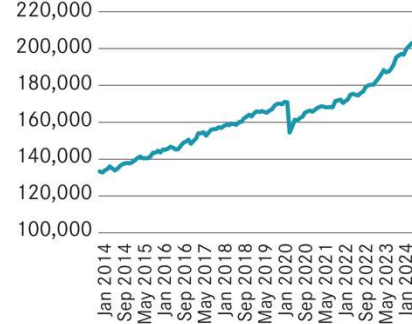
Government



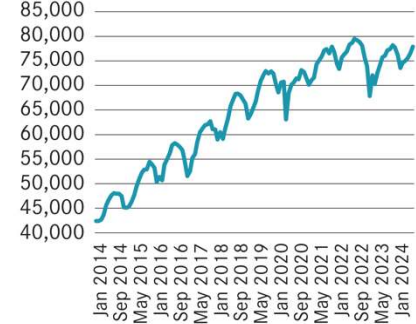
Trade, Transportation, & Utilities



Private Education & Healthcare



Construction



Professional & Business Services



Leisure & Hospitality



Manufacturing



Financial Activities





THE CONSUMER
REMAINS STRONG
FOR NOW ALTHOUGH
COOLING OFF

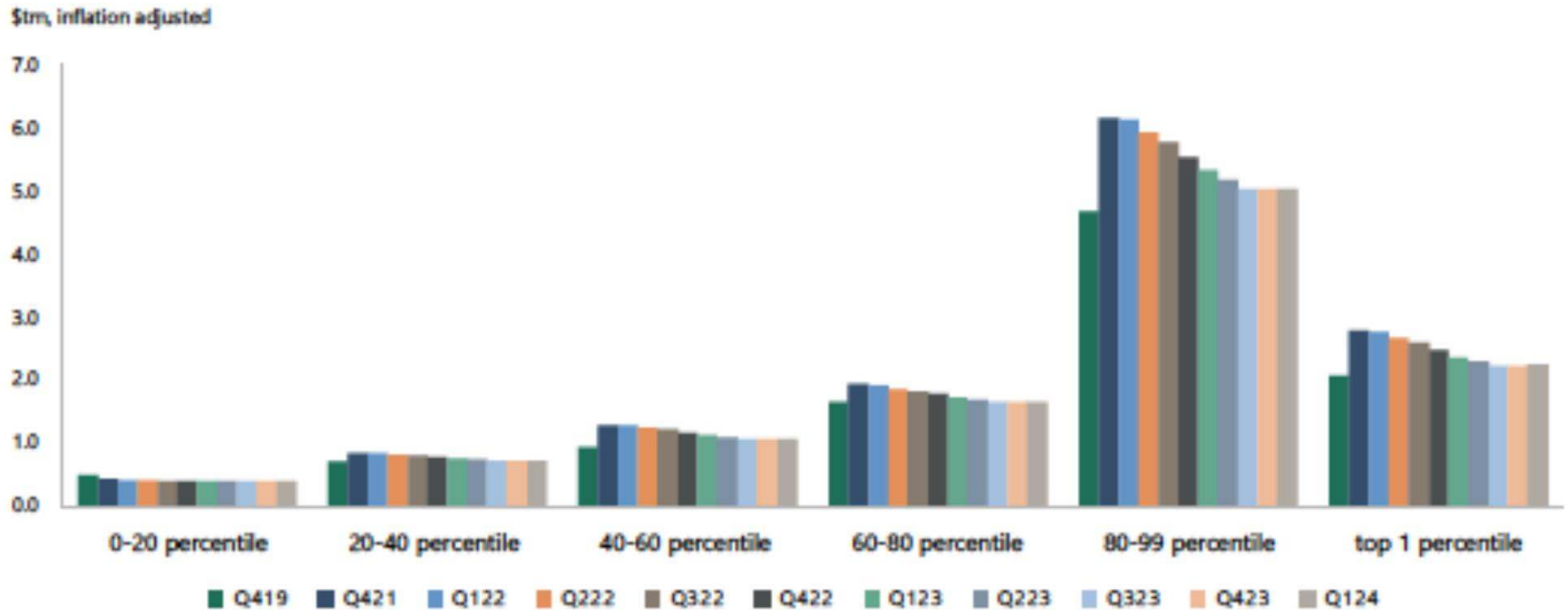
www.goldenstonewealth.com



The Upper Income Households Have Large Cash Balances



Deposits held by income percentile



Data as of March 2024.

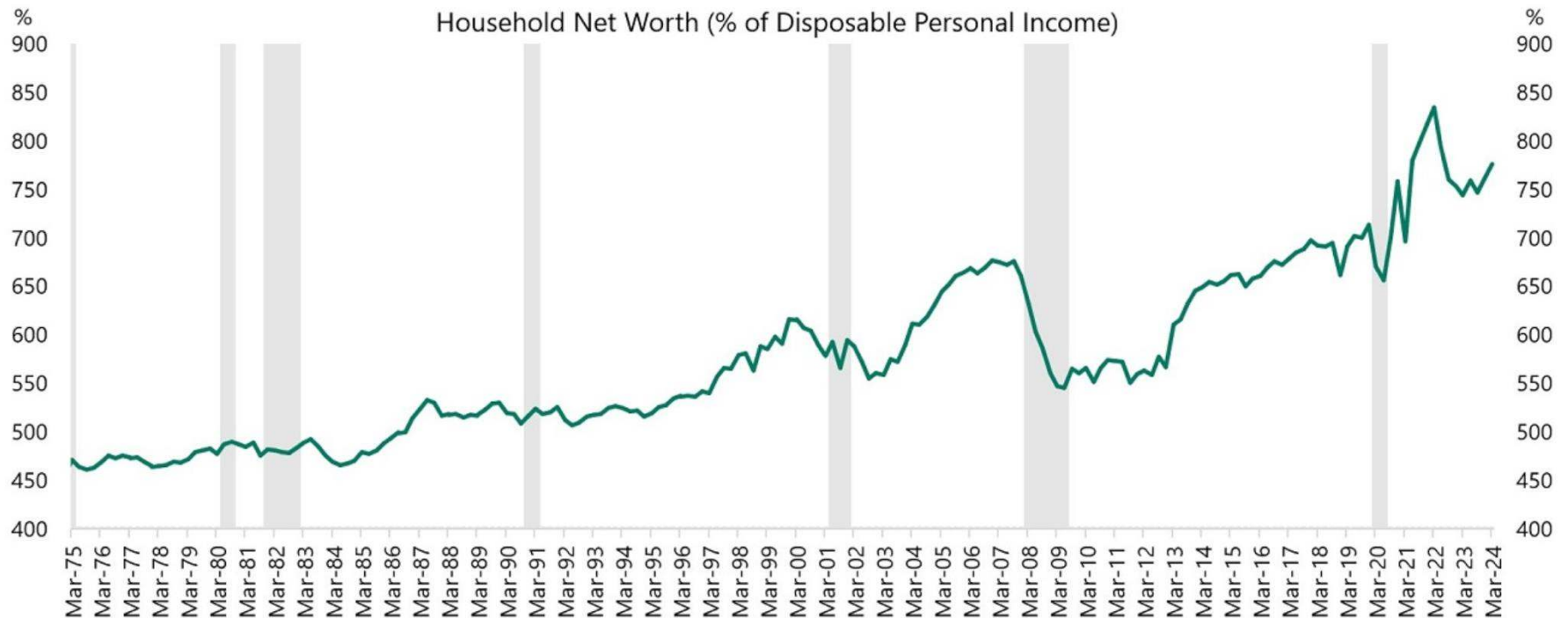
Sources: FRB, Haver Analytics, Apollo Chief Economist

Household Net Worth Hits Record Highs



APOLLO

Household net worth close to all-time highs

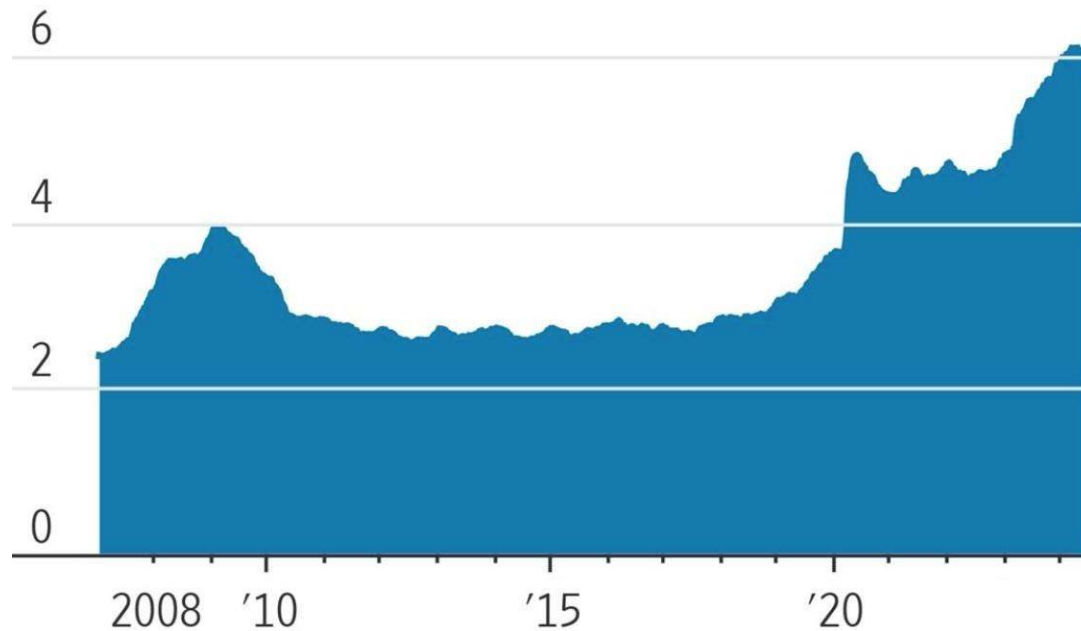


Record Cash Still Sits on the Sidelines



Assets in money-market funds

\$8 trillion



Note: Weekly data, as of June 18

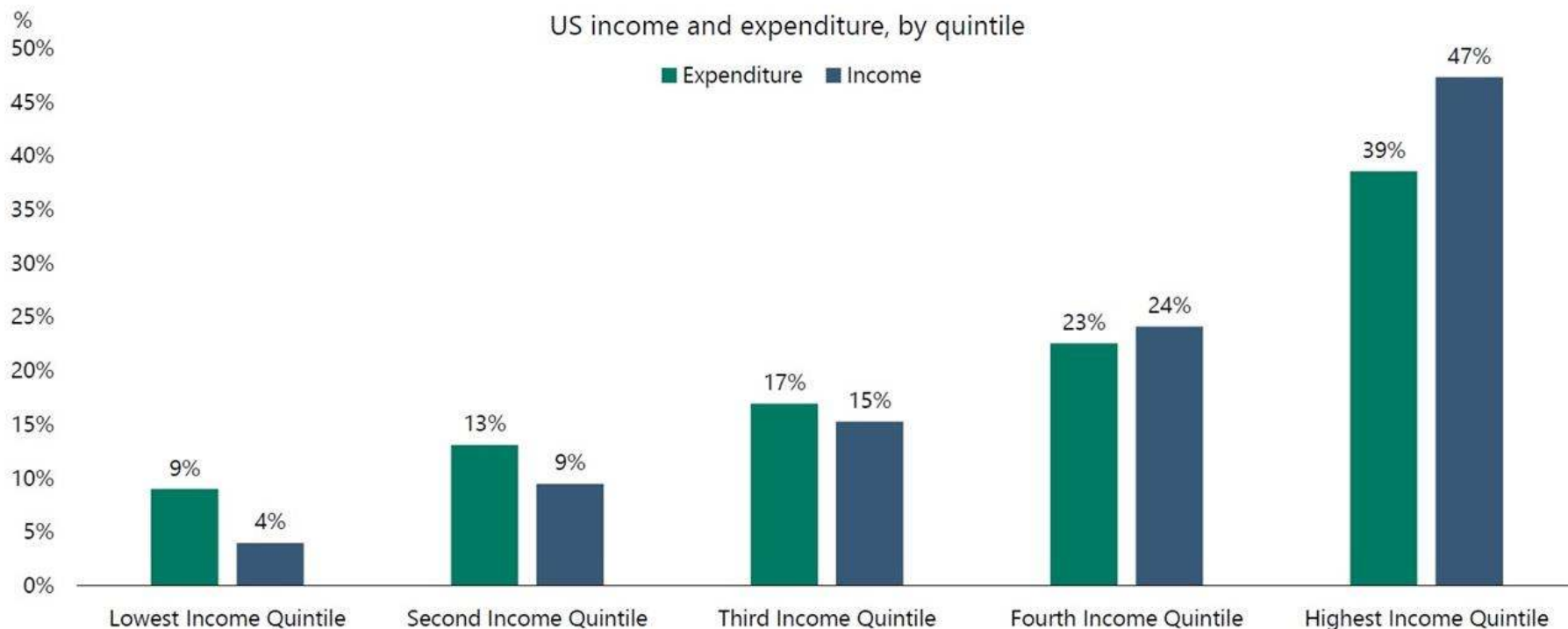
Source: Investment Company Institute

Higher Income Households Consumer And Economic Boost



APOLLO

US income and expenditure, by quintile

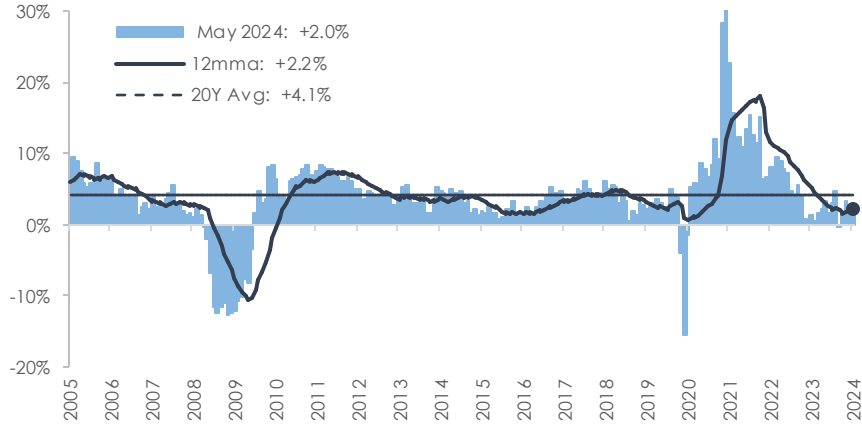




Retail Sales & Personal Finances

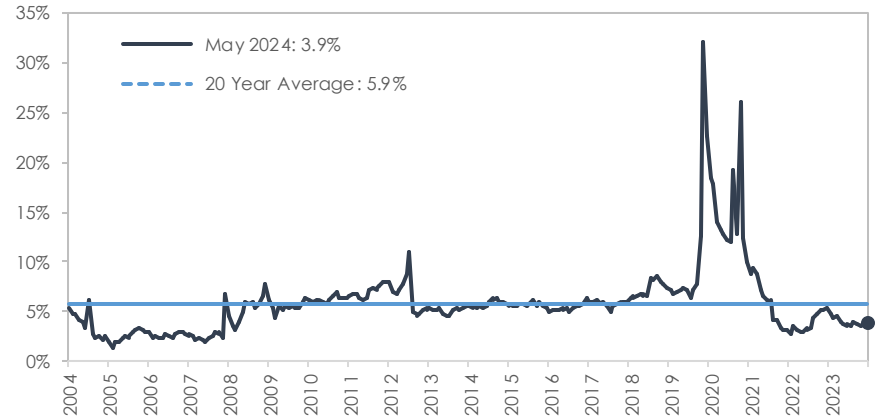
Year over Year Growth in Retail Sales

20 years of data (retail sales excluding food); 12mma = 12 month moving average



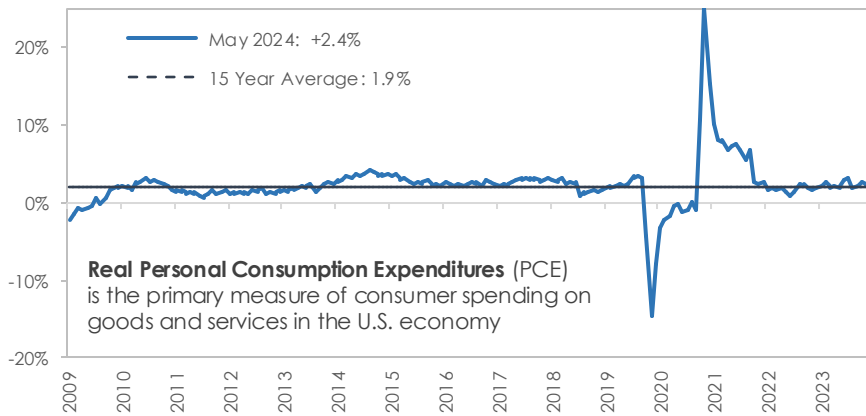
Personal Savings Rate

20 years of data; % of disposable income



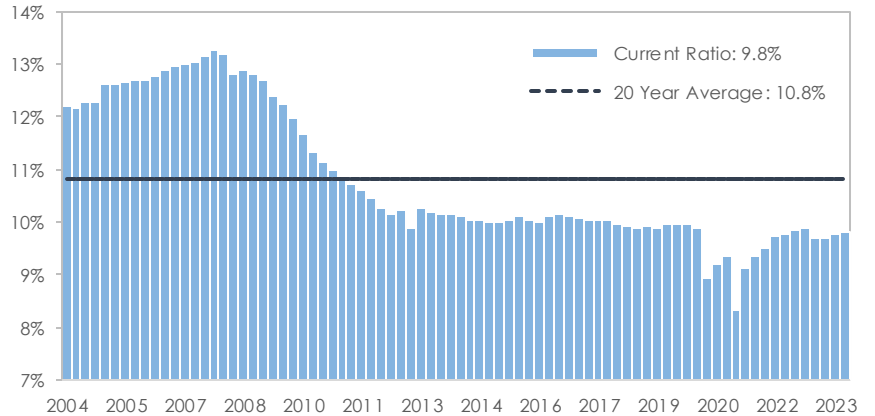
Real Personal Consumption Expenditures

20 years of data adjusted for inflation



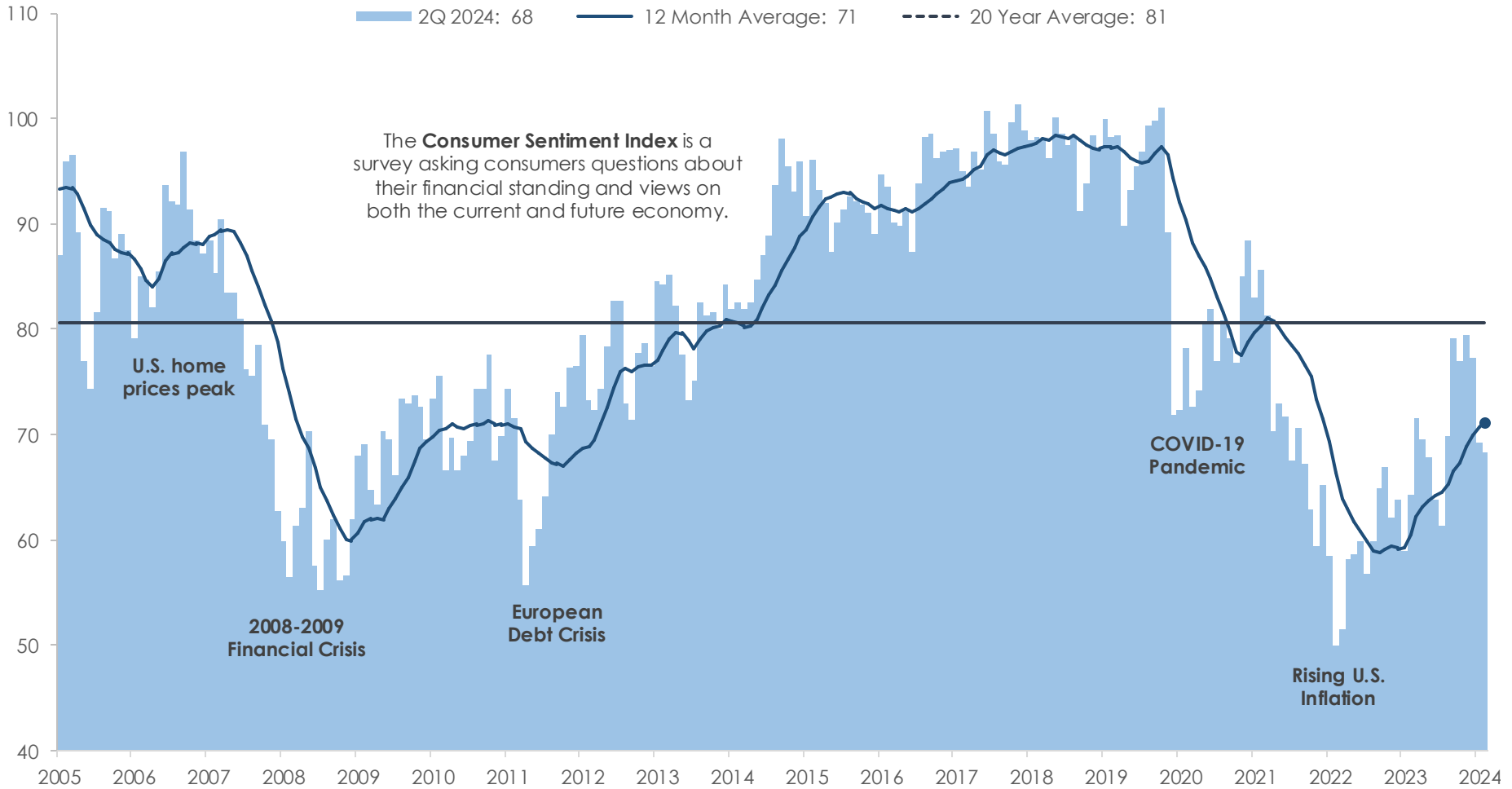
Household Debt Service Ratio

Percent of disposable personal income



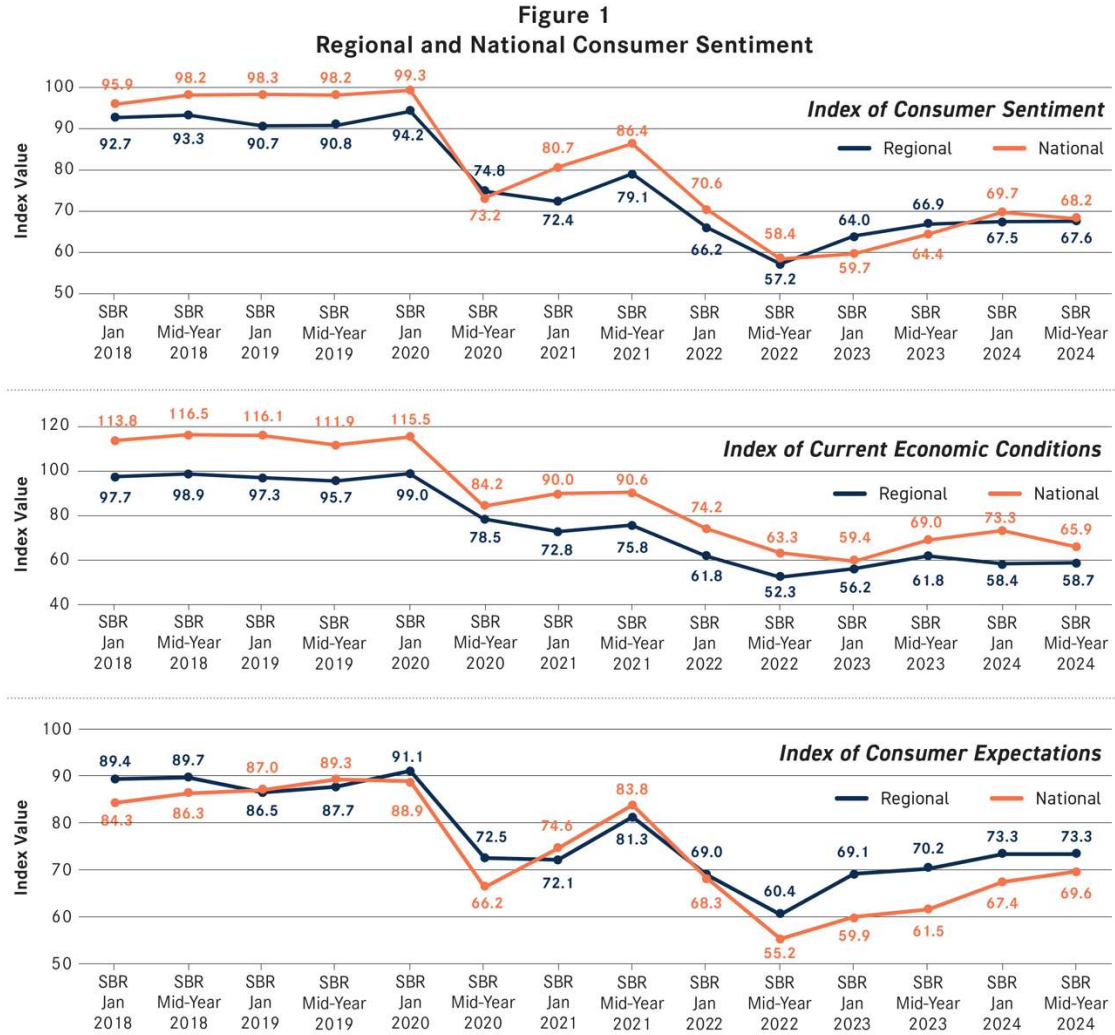
Disclosures: Data sourced from U.S. Bureau of Economic Analysis, U.S. Census Bureau, and the Federal Reserve.

Consumer Confidence



Disclosures: The University of Michigan Consumer Sentiment Index is a monthly survey that asks consumers questions about their financial standing and views on both the current and future economy.

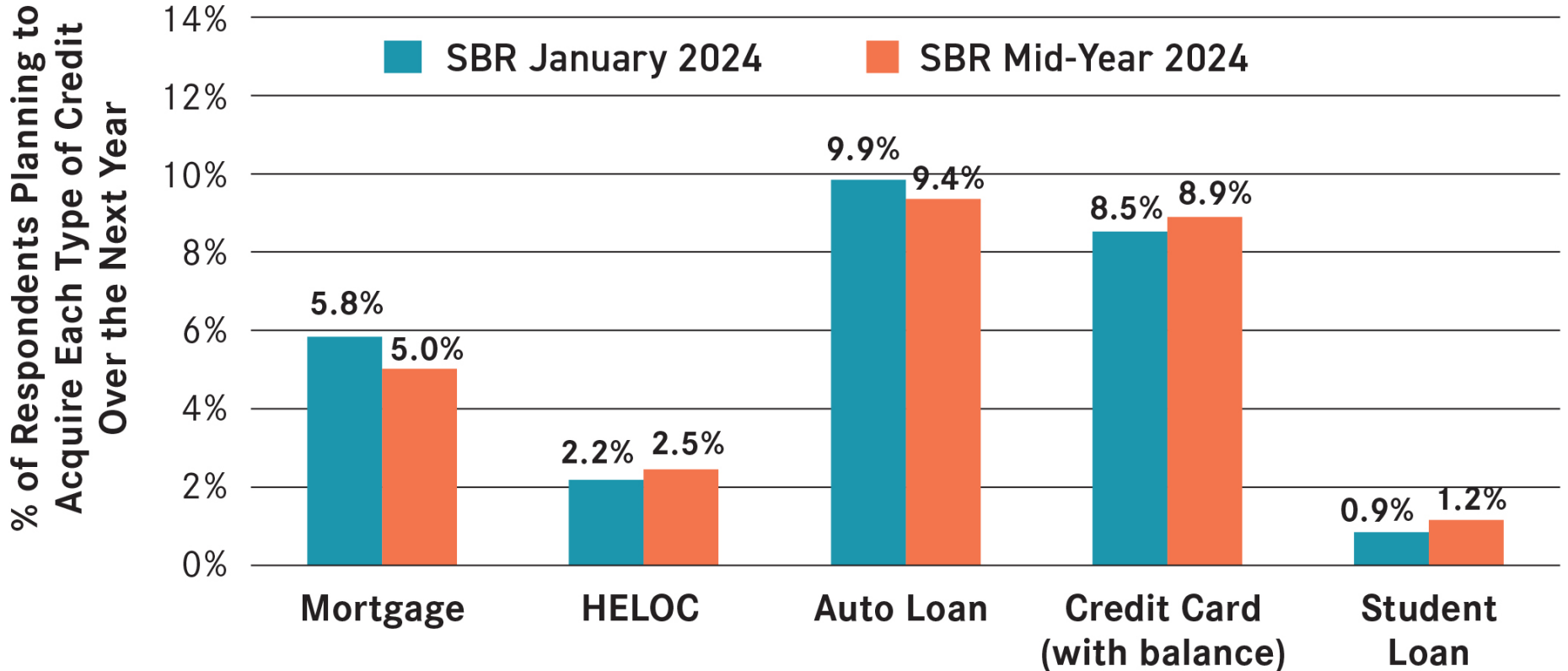
Consumer Sentiment in Sacramento Weaker than National



Notes: National data obtained from the University of Michigan Consumer Sentiment Survey, available at: <https://data.sca.isr.umich.edu/>.
Indices calculated using the methods specified at: <https://data.sca.isr.umich.edu/fetchdoc.php?docid=24770>.



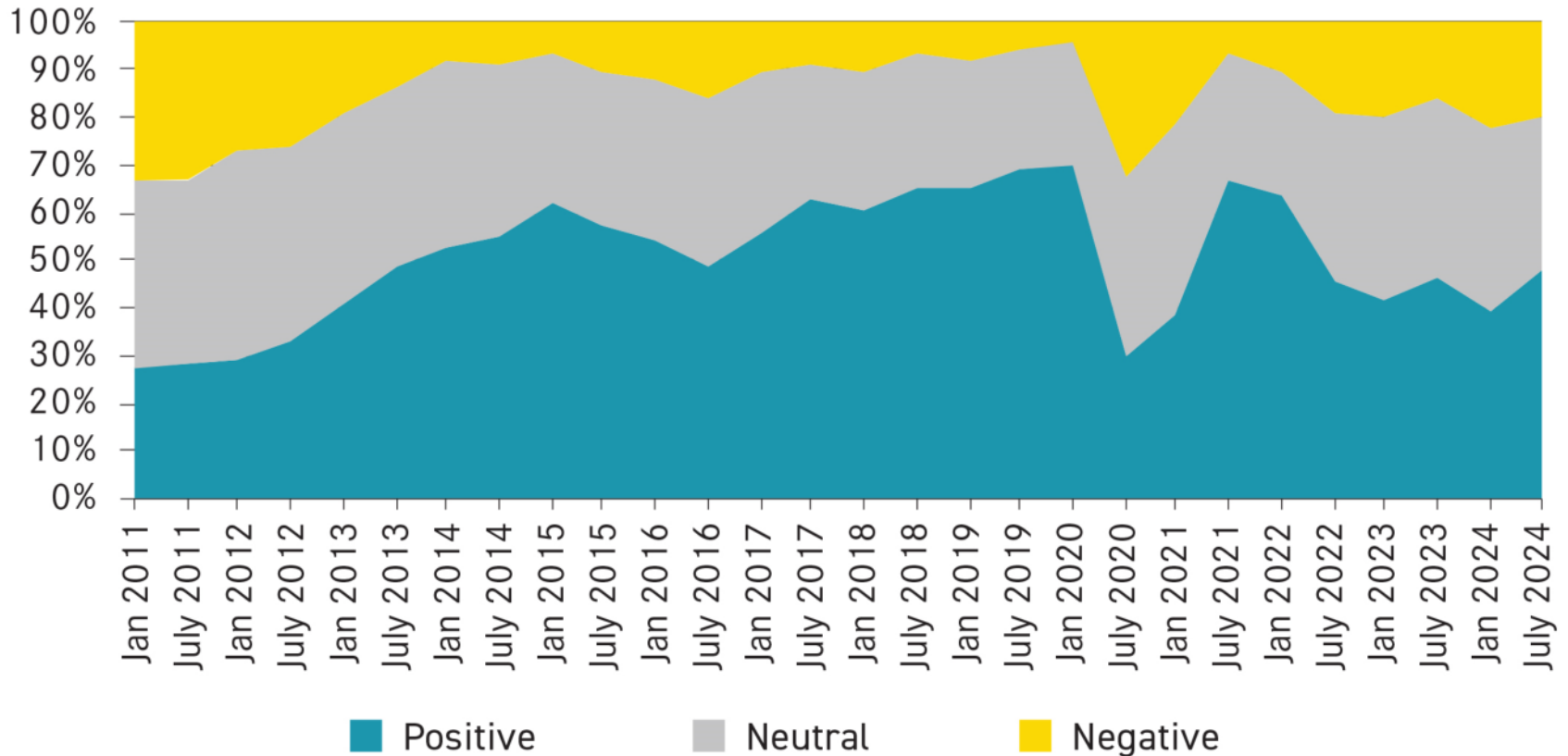
Figure 2 Types of Credit Planned Over the Next Year



Sacramento Small Business Confidence Well Below Peak



Figure 1
Overall Sentiment (January 2011 - July 2024)





CRE STABILIZING
HOUSING STABLE
DESPITE HIGH
MORTGAGE RATES

www.goldenstonewealth.com





Sacramento CRE

Figure 1

Industrial Market • Vacancy & Average Asking Lease Rate: 2010-2026

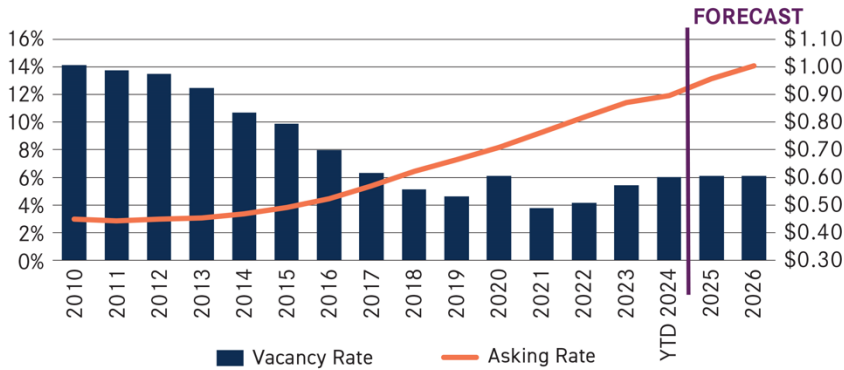


Figure 2

Industrial Deliveries: 2009-2025

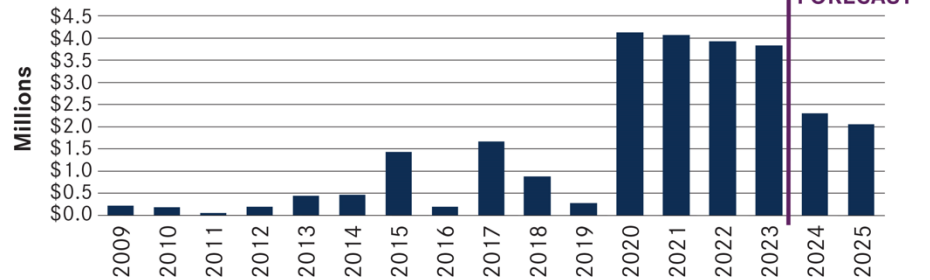


Figure 4

Office Market Activity: 2010-2024

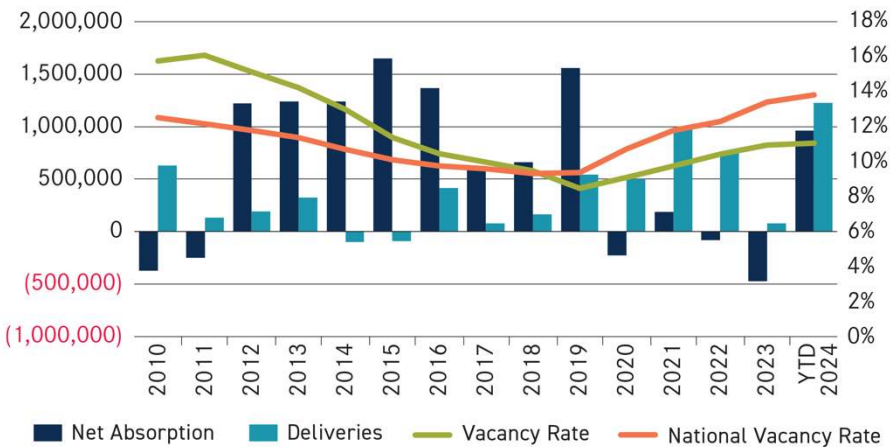
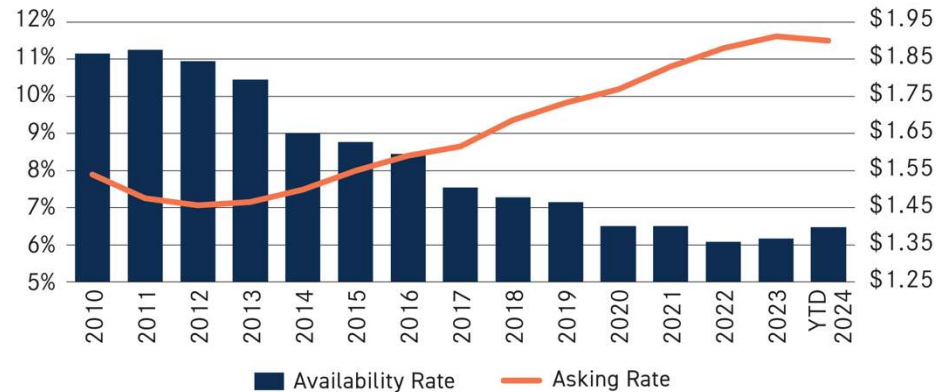


Figure 5

Retail • Availability & Average Asking Lease Rate: 2010 - 2024



Source (Figures 4 & 5): CoStar

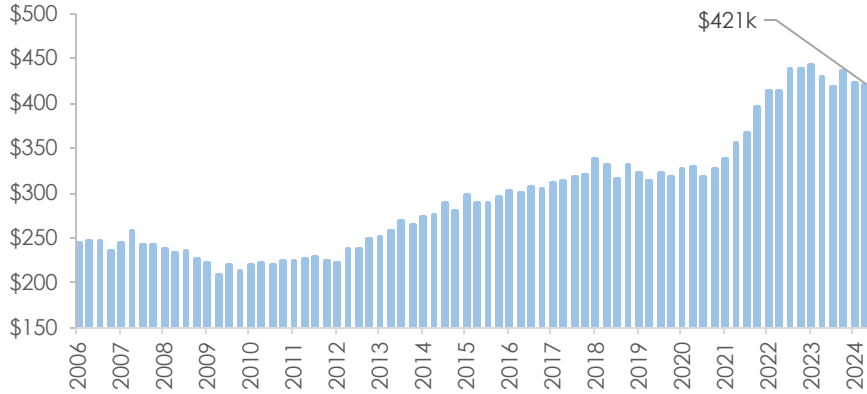




Housing Market Update

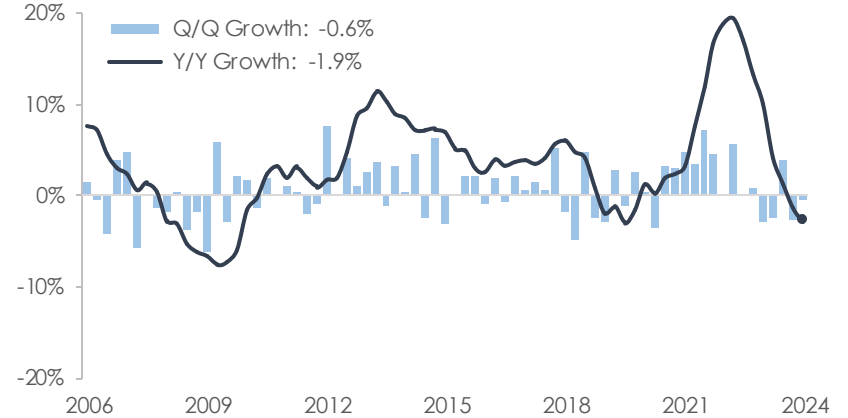
Median Sales Price for Homes Sold in the U.S.

USD in thousands, seasonally adjusted



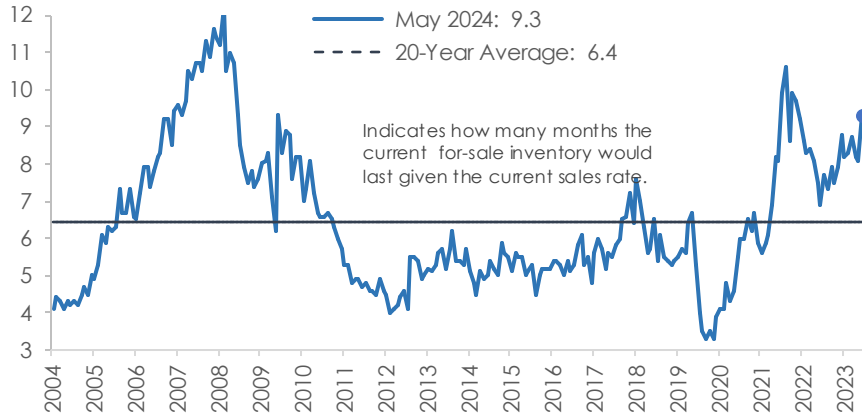
Rolling Changes in U.S. Home Prices

Year over year growth rate is an average of the past 4 quarters



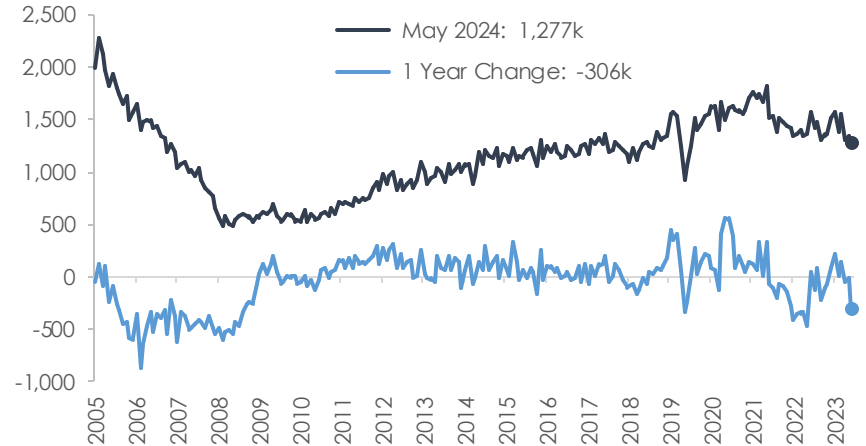
U.S. Home Inventory (in months)

Ratio of Houses for Sale to Houses Sold



Housing Starts in 000s

Current level and year over year growth in housing starts



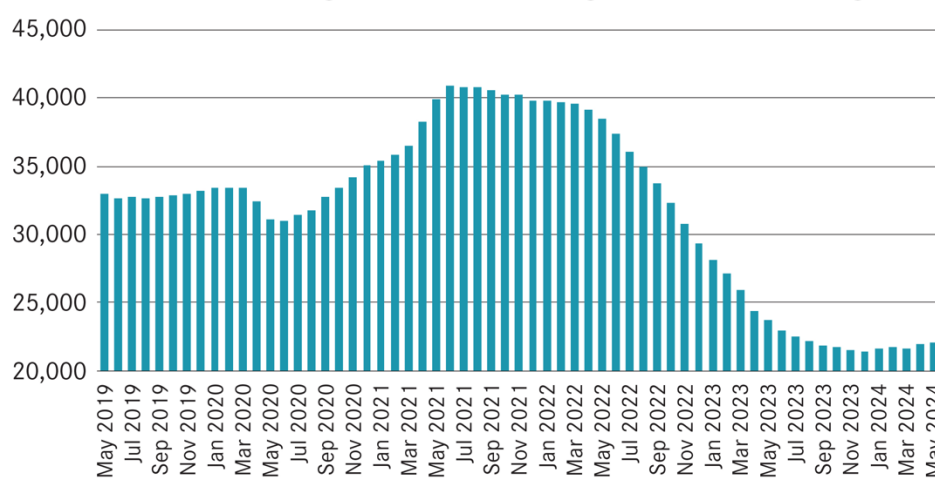
Disclosures: Data sourced from National Association of Realtors and Federal Reserve.

Sacramento Residential Real Estate



Figure 6

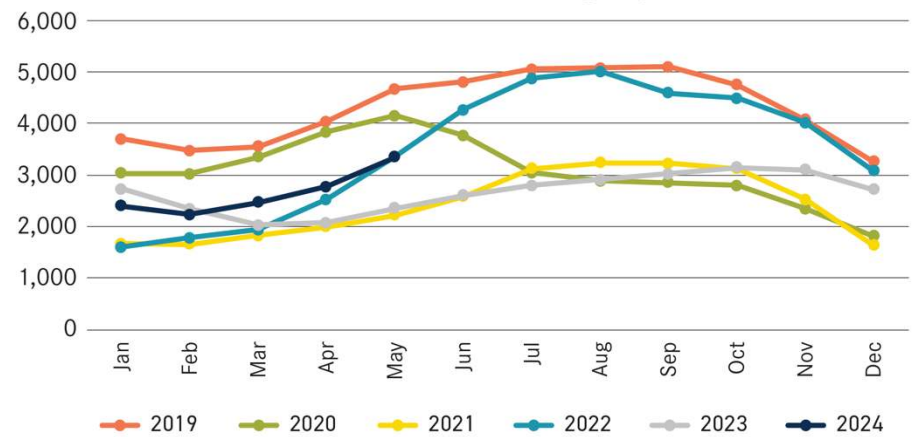
Sacramento Trailing-12-month Existing Home Sale Closings



Source: JBREC analysis of public records data for transactions and ownership; John Burns Research and Consulting LLC (Data: May-24, Pub: Jul-24)

Figure 7

Sacramento Total Resale Listings by Month



Source: JBREC estimates; John Burns Research and Consulting LLC (Data: May-24, Pub: Jul-24)



Publicly Traded Home Builder Stock Price Performance



Home Builders Year to Date Performance - Oct 2024

	VAL
Toll Brothers Inc (TOL) Total Return Price % Change	45.07%
NVR Inc (NVR) Total Return Price % Change	34.99%
PulteGroup Inc (PHM) Total Return Price % Change	30.26%
KB Home (KBH) Total Return Price % Change	26.87%
Taylor Morrison Home Corp (TMHC) Total Return Price % Change	21.56%
Tri Pointe Homes Inc (TPH) Total Return Price % Change	20.49%
D.R. Horton Inc (DHI) Total Return Price % Change	19.41%
Lennar Corp (LEN) Total Return Price % Change	17.92%
Meritage Homes Corp (MTH) Total Return Price % Change	6.79%
Century Communities Inc (CCS) Total Return Price % Change	2.36%



Performance of major publicly traded home builders.

Oct 22, 2024, 6:02 PM EDT Powered by YCHARTS



GOLDENSTONE

21

www.goldenstonewealth.com

Mortgage Rates Follow the 10 Year Treasury Yield Closely



Figure 1: Mortgage Rates and Treasury Yields

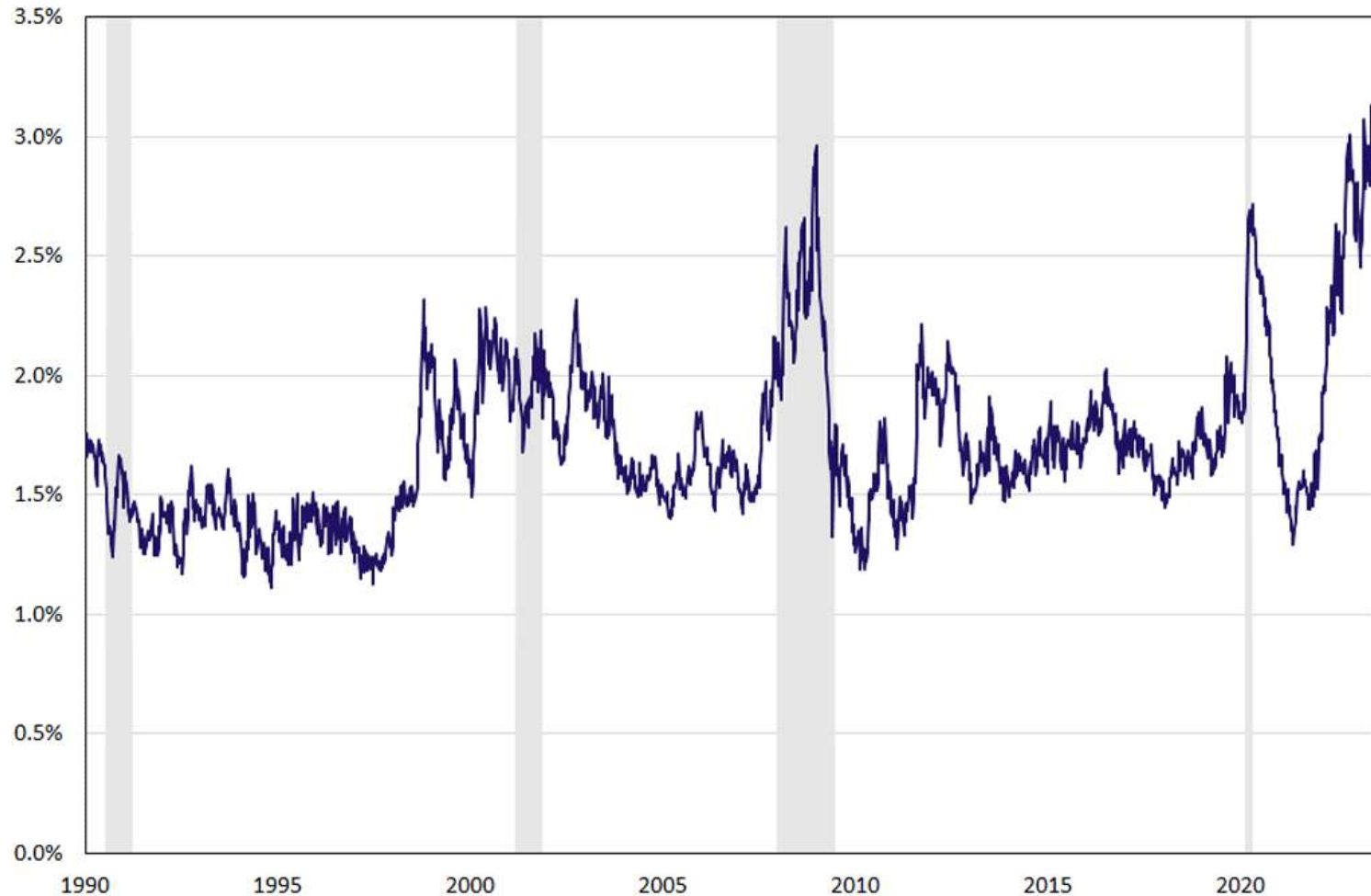


Source: FRED and author's calculations.

Mortgage Rates Spread Above the 10 Year Treasury

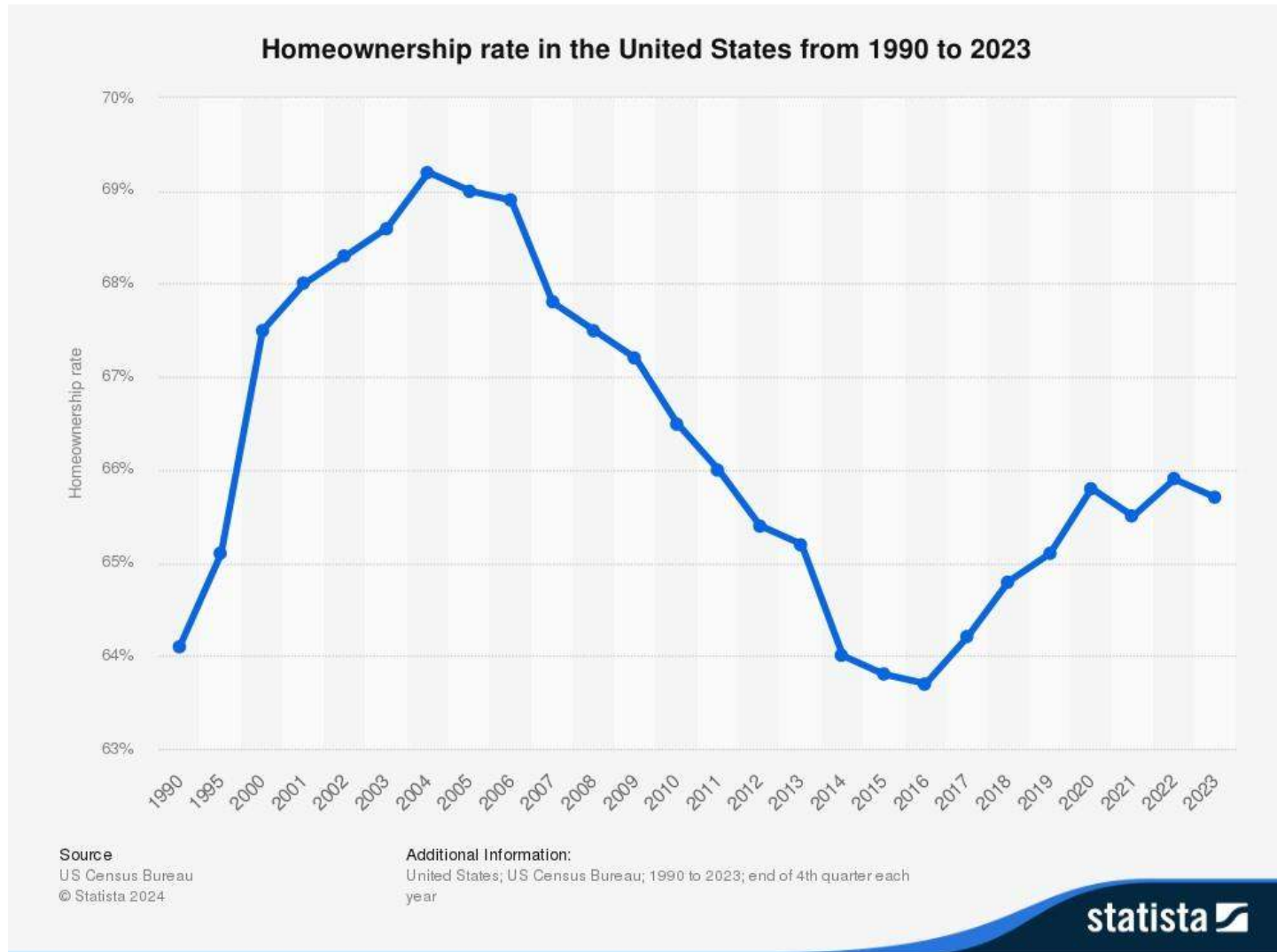


Figure 2: Mortgage Spread Over Time

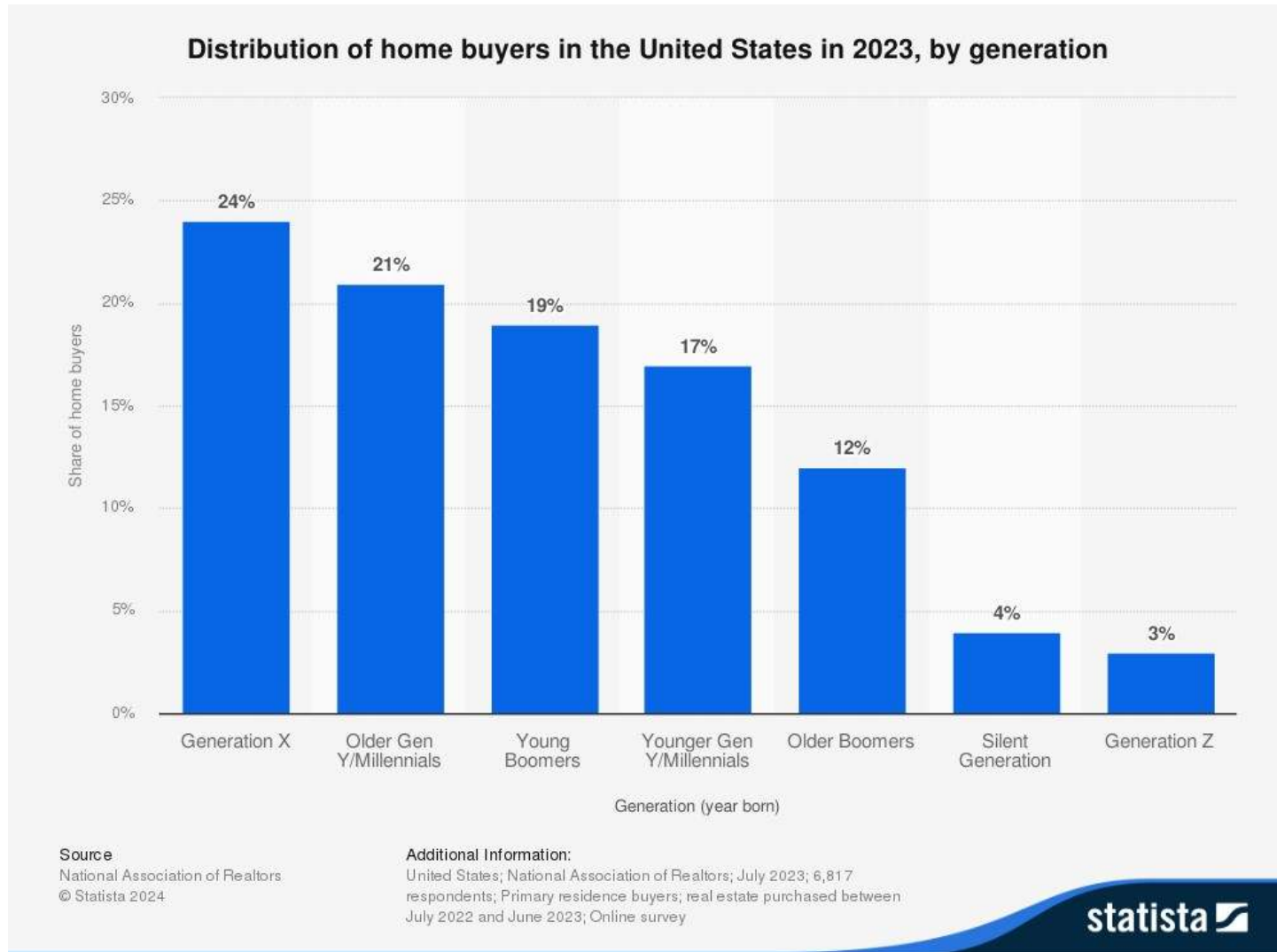


Notes: The mortgage spread is defined as the 30-year mortgage rate minus the 10-year Treasury rate. The gray bars indicate NBER recessions. Source: FRED and author's calculations.

Homeownership Rate in the USA – Will it Go Up?



Millennials are a Major Force in the Housing Market

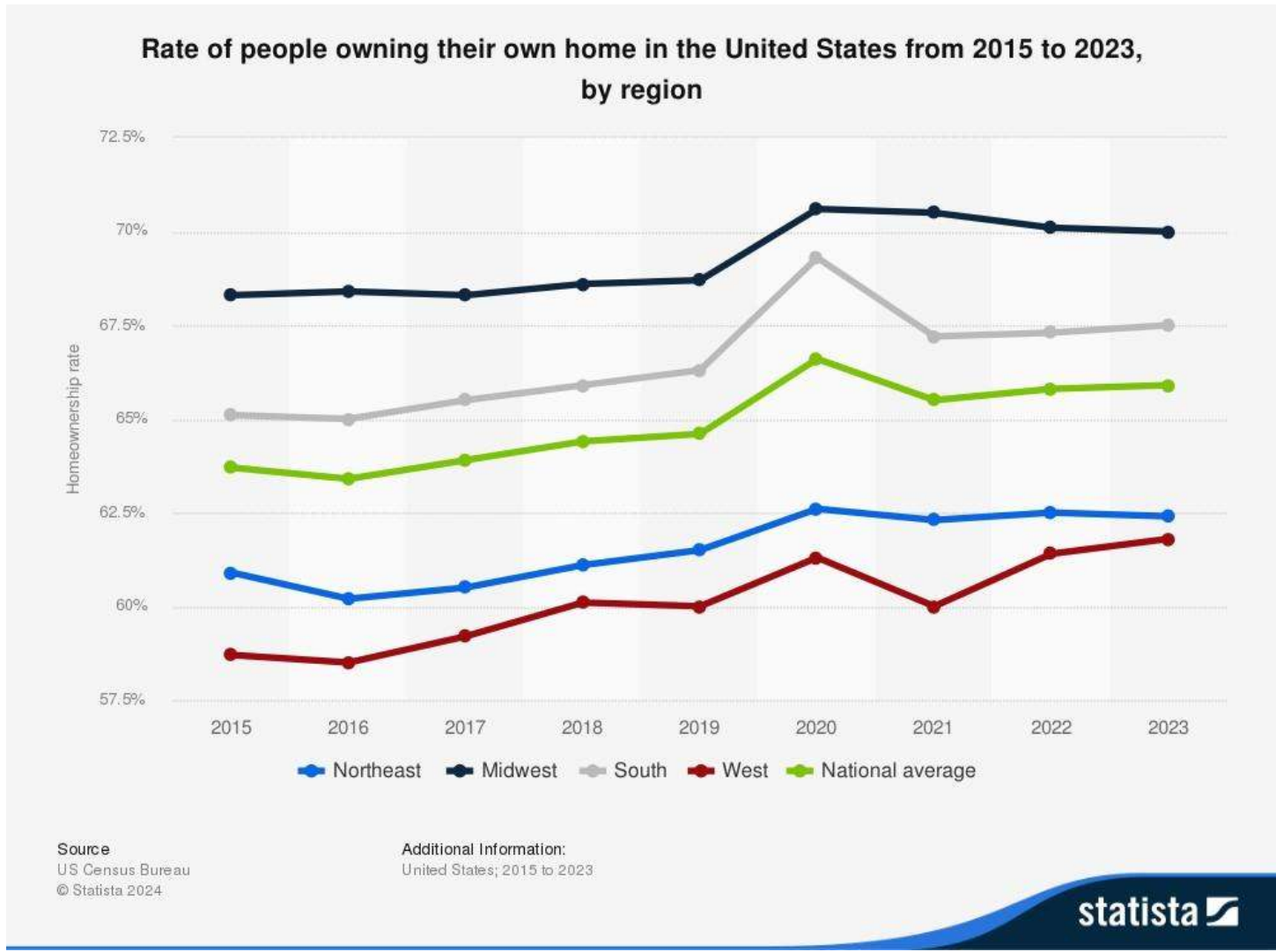


The Demand for Housing – First Time Buyers

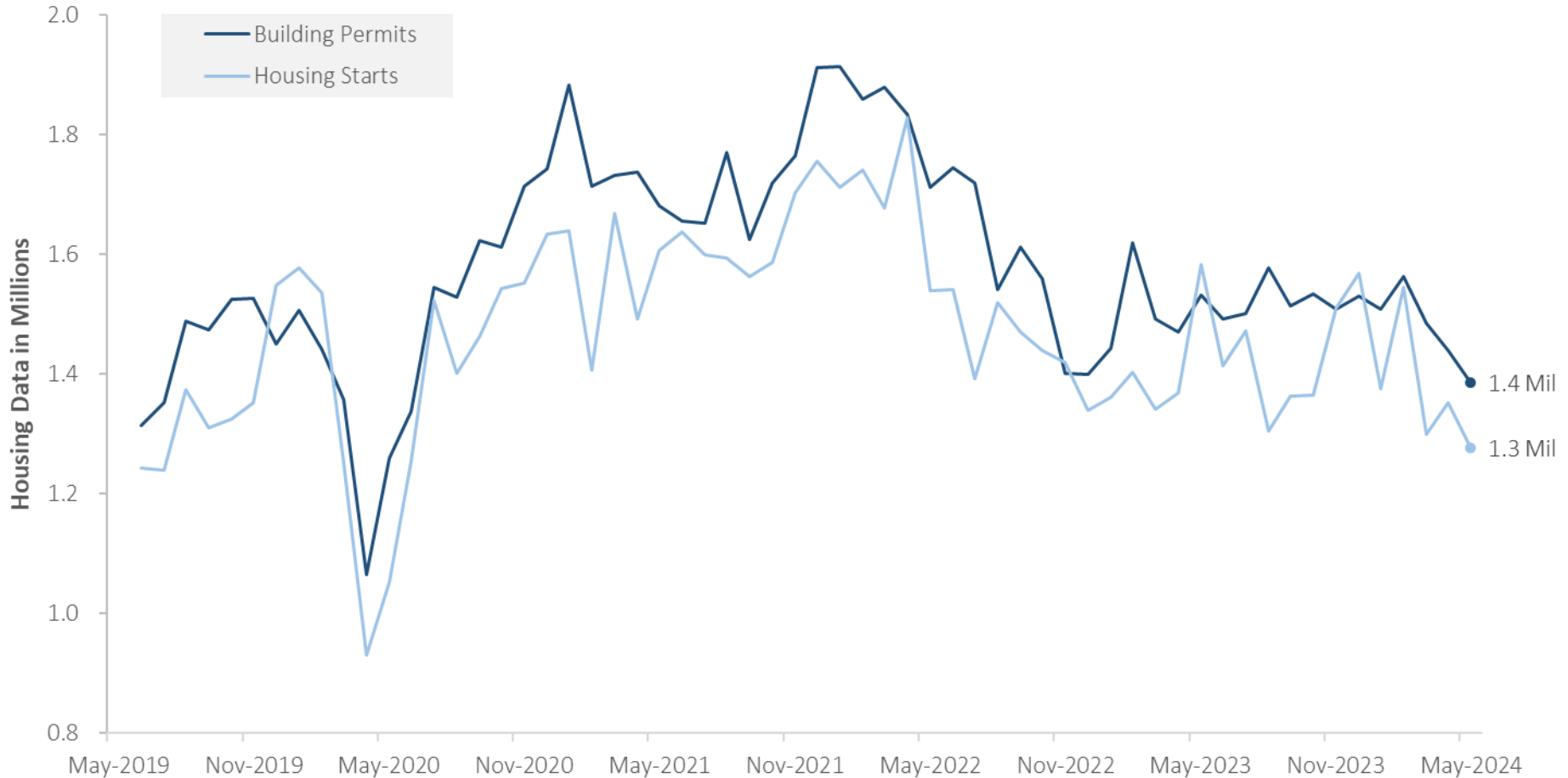


- Millennials were the largest generation of homebuyers in 2023, at 38% and at 68% of First Time Homebuyers.
- Among first-time homebuyers in 2023, 75% of the millennials were younger millennials (ages 25 to 33). Gen Y and Z will drive new home construction trends.

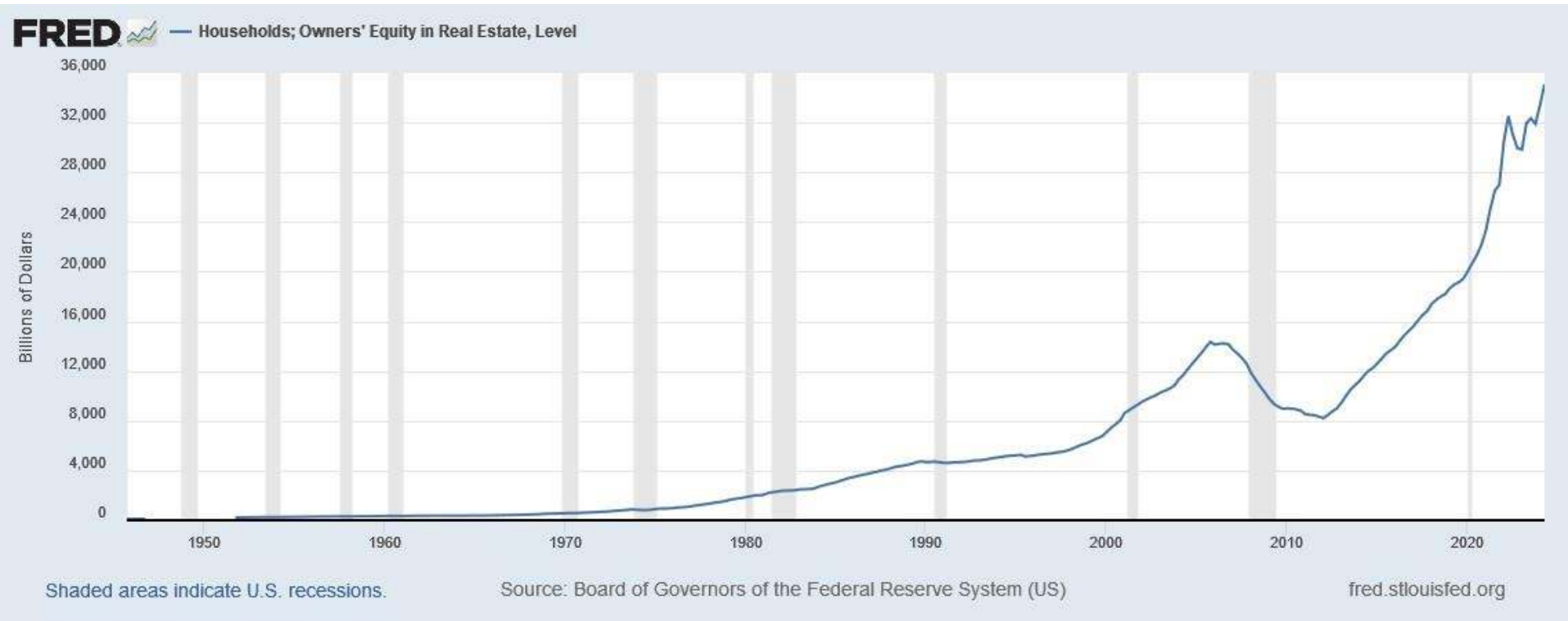
Homeownership Rates by Region – The West is Expensive!



Housing Starts and Building Permits at 4 Year Lows



Housing Wealth (Homeowner equity) Hits All Time High





THE CASE FOR A SOFT LANDING

www.goldenstonewealth.com





Debit Card Transactions are Up – Consumer Spending

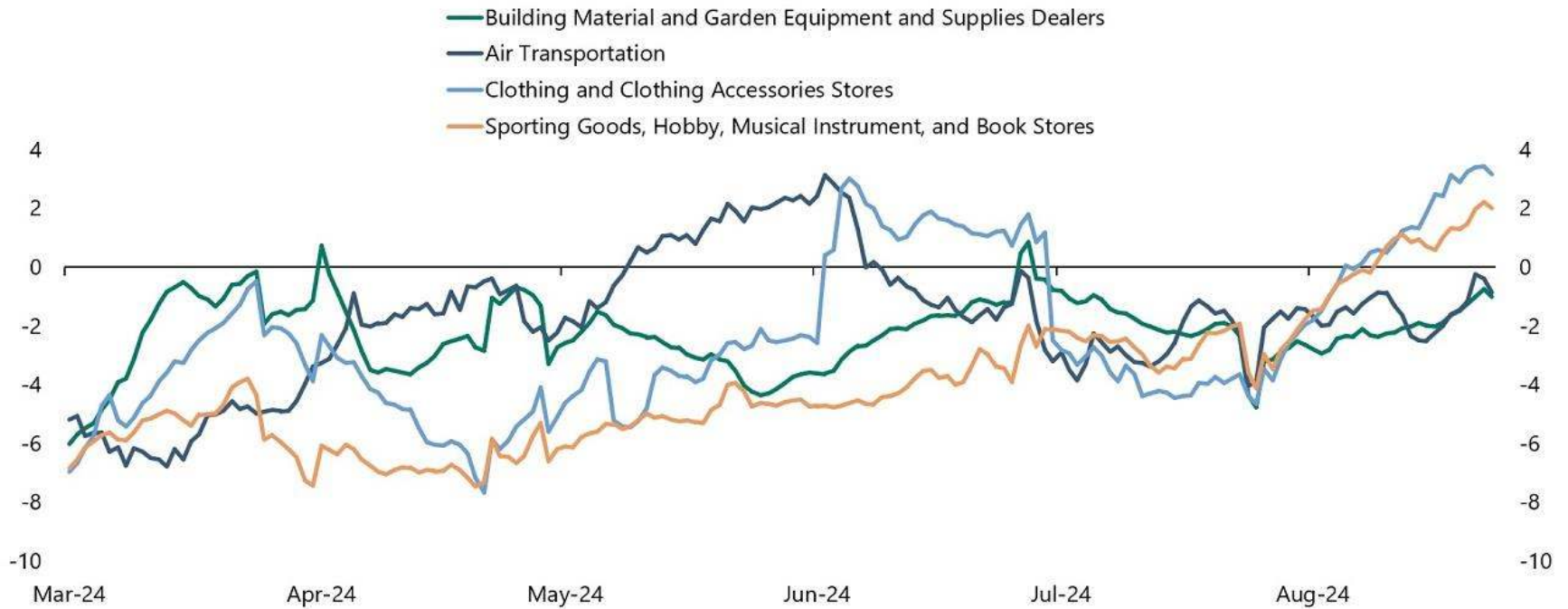
APOLLO

Daily data for debit card transactions across sectors

%YoY, 28 MA

Bloomberg Consumer Spending

%YoY, 28 MA

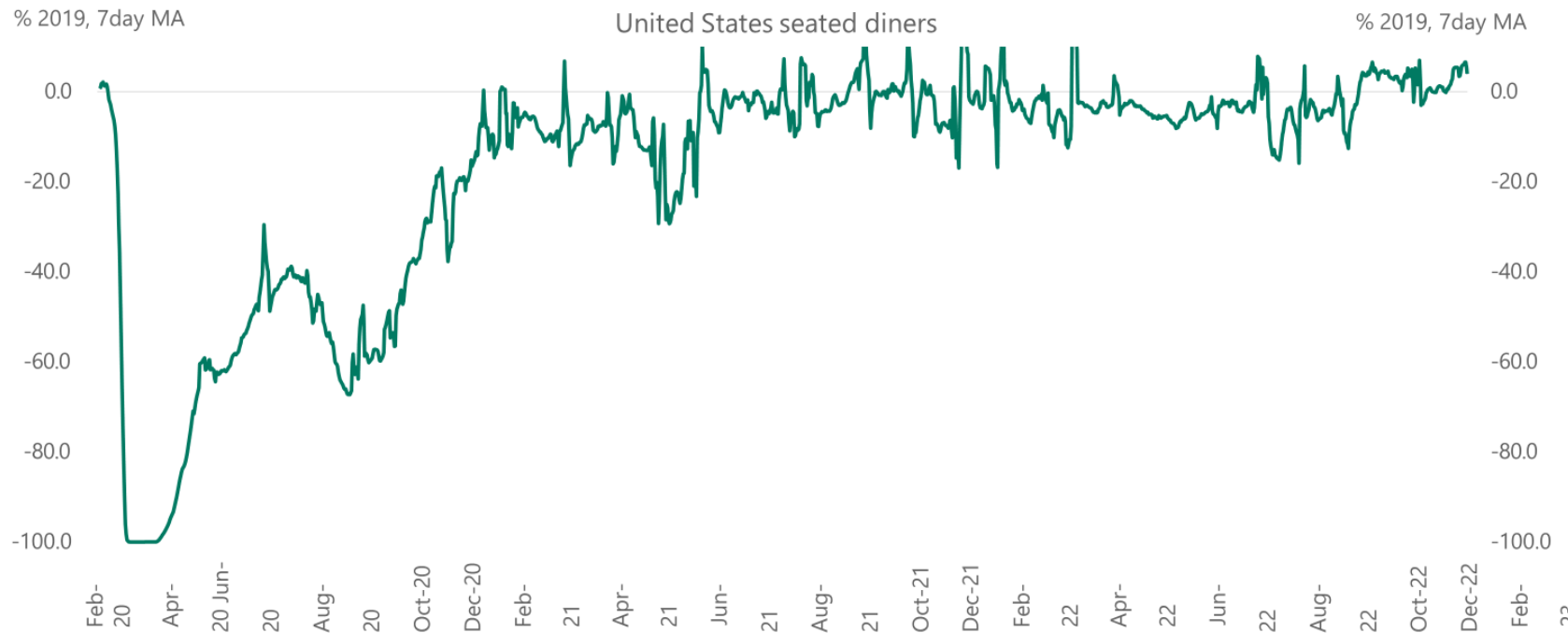


Consumer Still Loves to Dine Out



APOLLO

Daily data for restaurant bookings



Source: OpenTable, Apollo Chief Economist

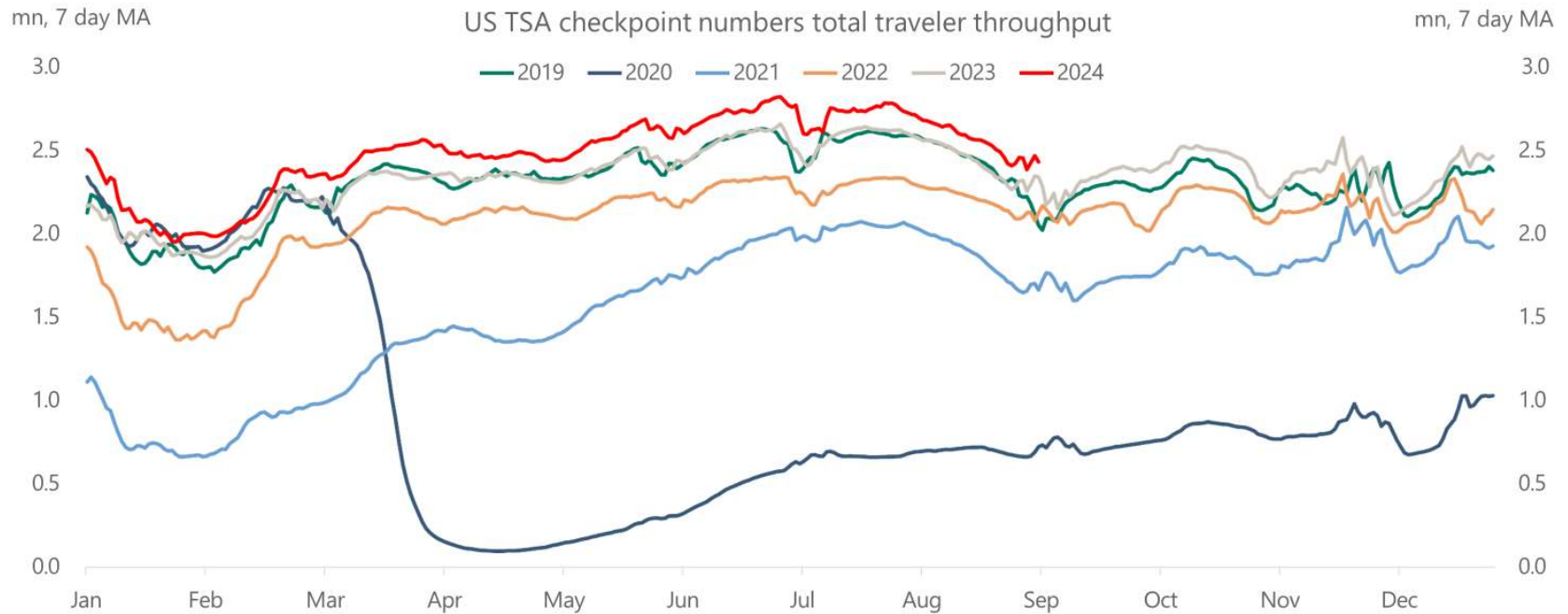
7

USA Air Travel Still Very Strong



APOLLO

Daily data for US air travel



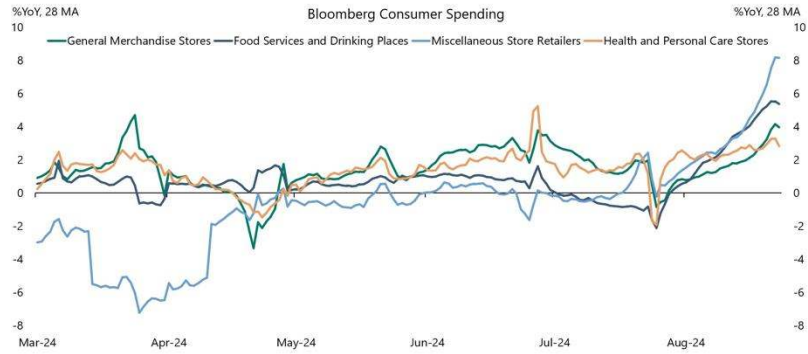
Source: TSA, Bloomberg, Apollo Chief Economist

8

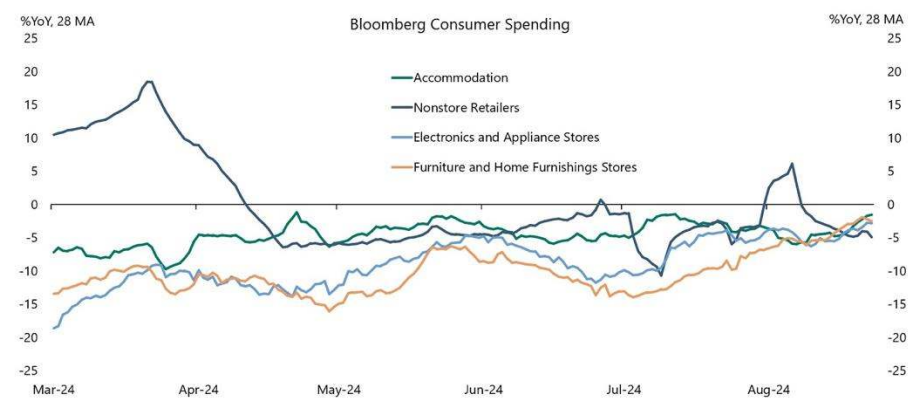


Debit Card Sales and Retail Sales Trends All Stable to Increasing

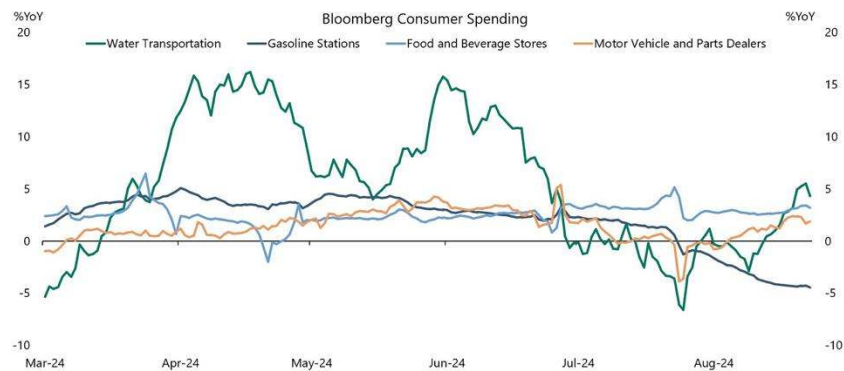
Daily data for debit card transactions across sectors



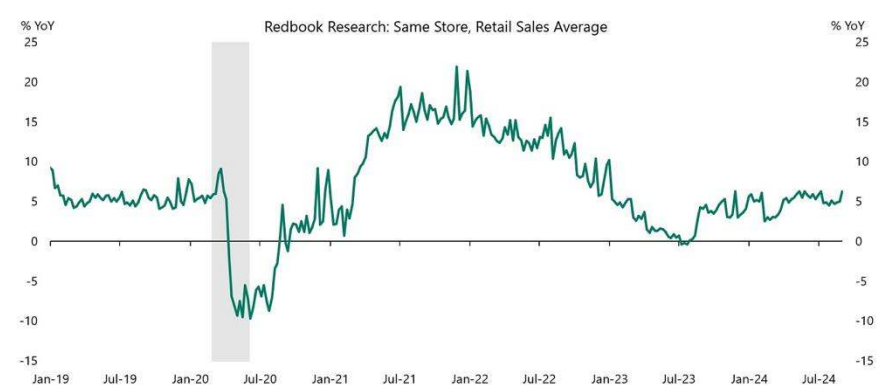
Daily data for debit card transactions across sectors



Daily data for debit card transactions across sectors



Weekly data for same-store retail sales

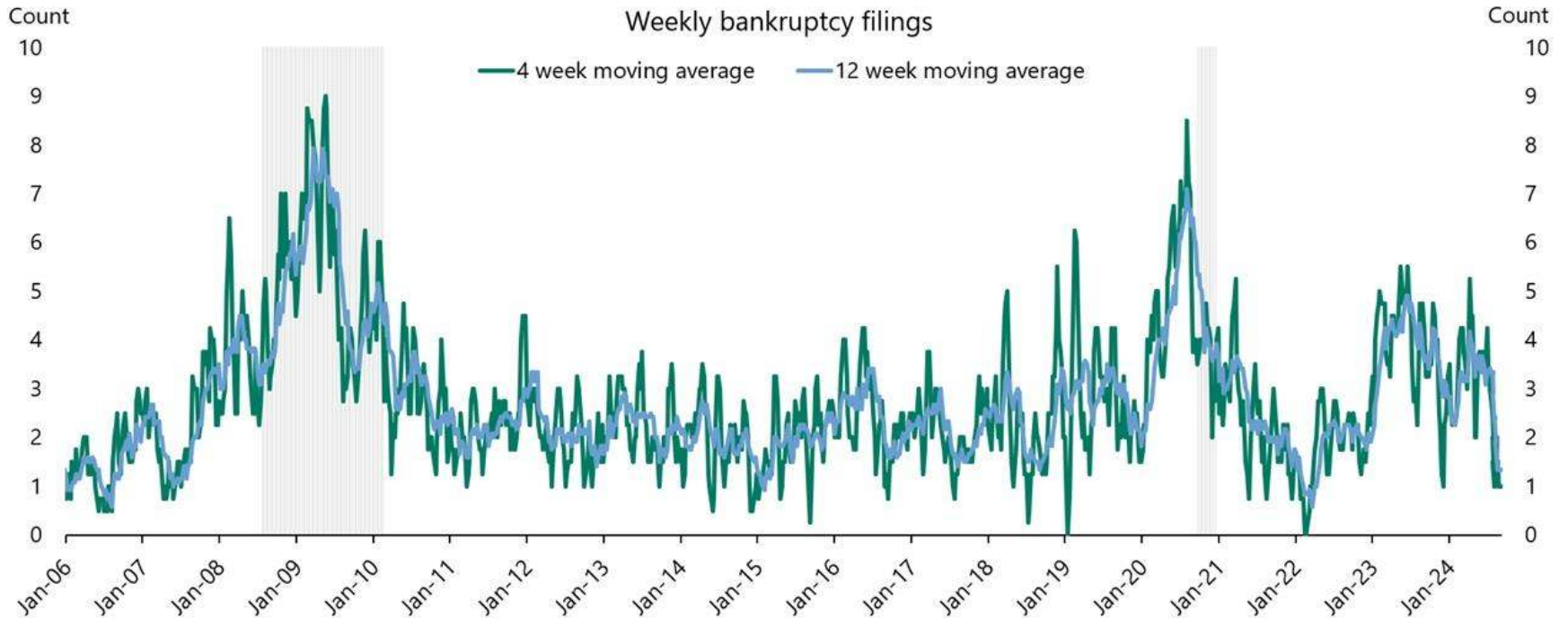


Defaults and Bankruptcies Trending Down



APOLLO

Weekly bankruptcy filings

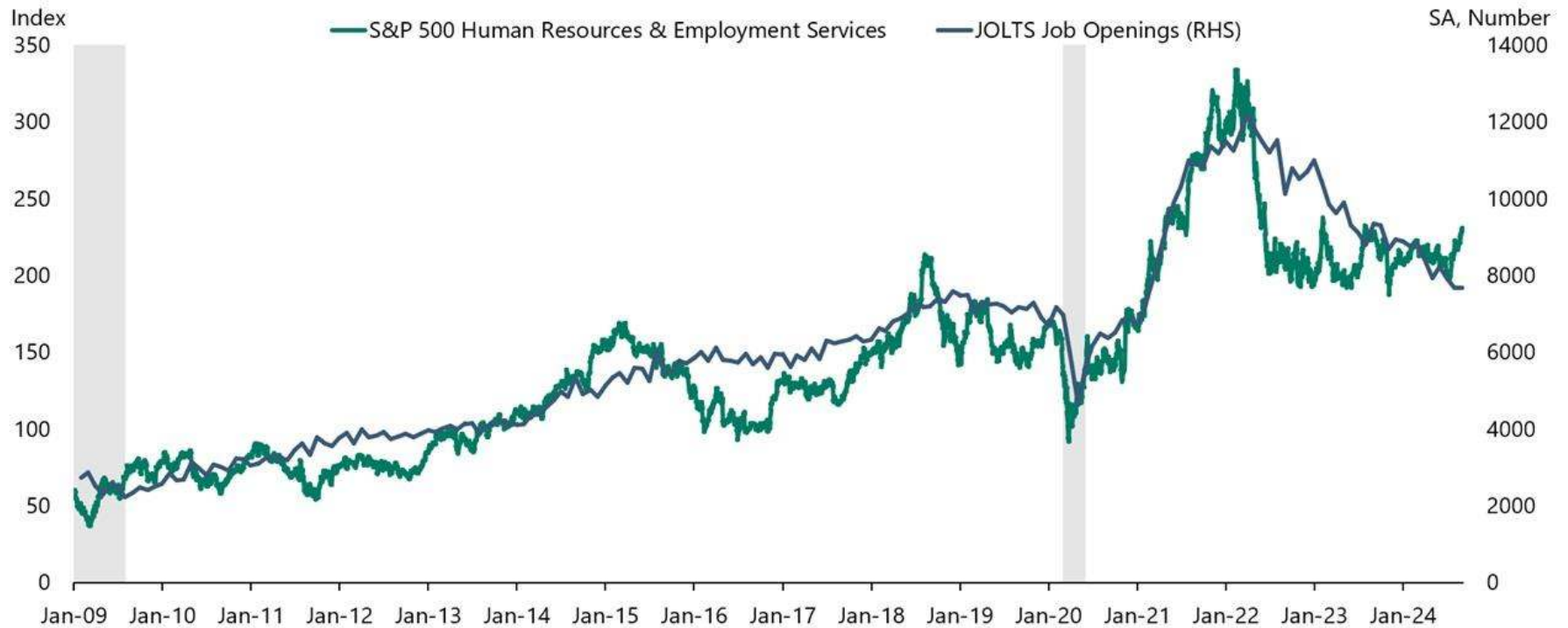


Staffing Firms Point To Increase in Hiring and Job Openings



APOLLO

The stock price of staffing firms points to a rebound in job openings





SOFT LANDING AND MARKETS, INVESTMENTS

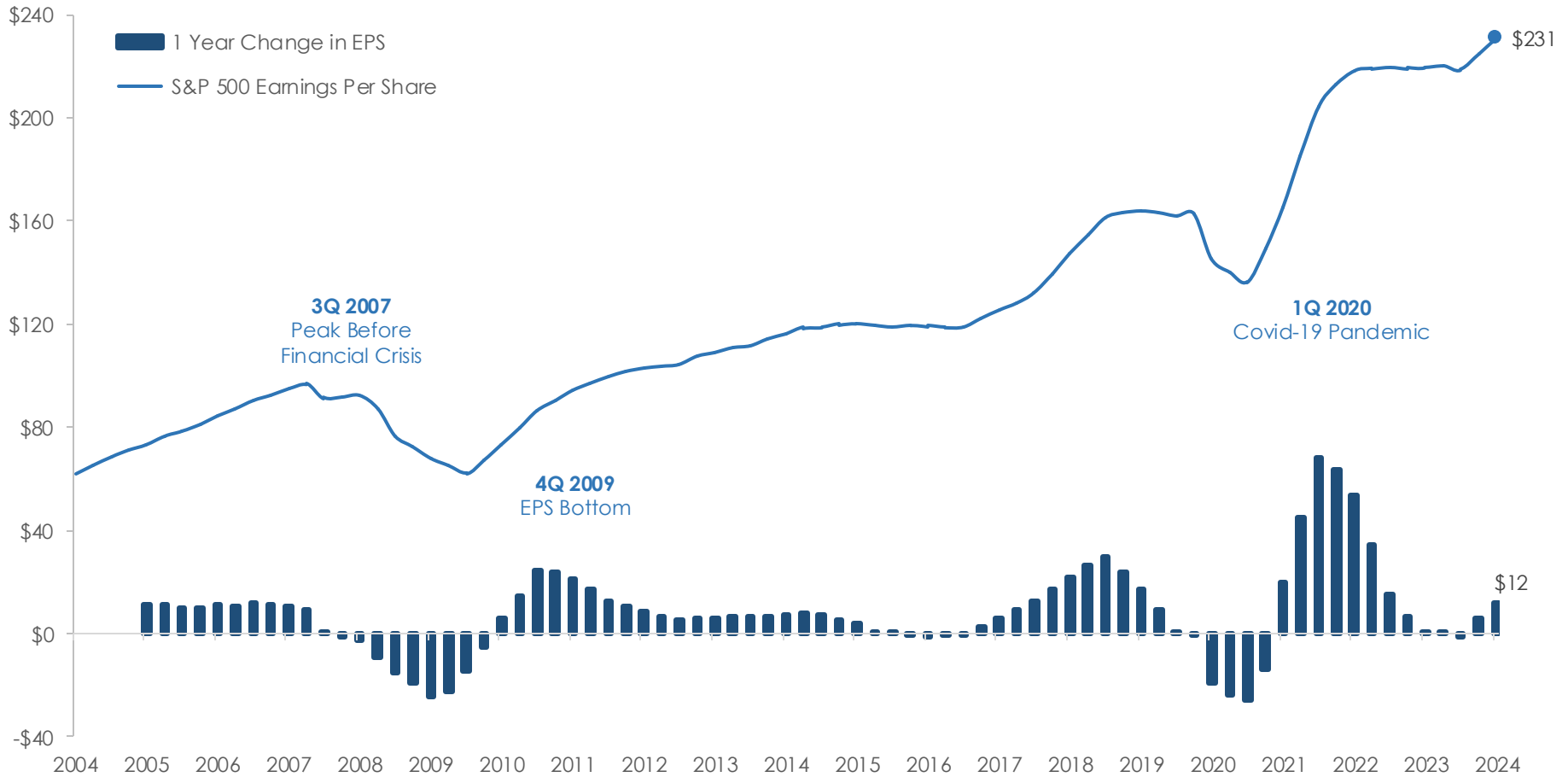


www.goldenstonewealth.com





S&P 500 Earnings – Last 20 Years



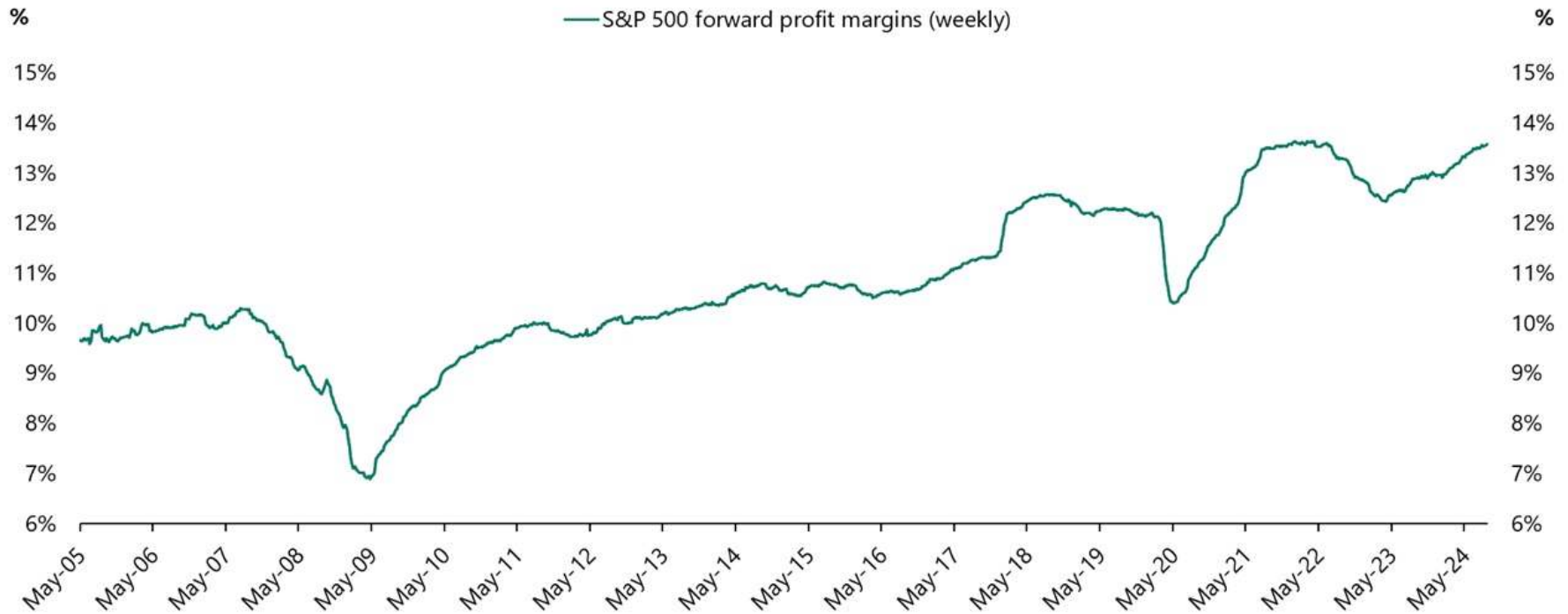
Disclosures: Earnings are based on the reported last twelve-month EPS of the S&P 500 represented by the State Street SPDR S&P 500 ETF (SPY).

Corporate Earnings and Margins At Record Levels



APOLLO

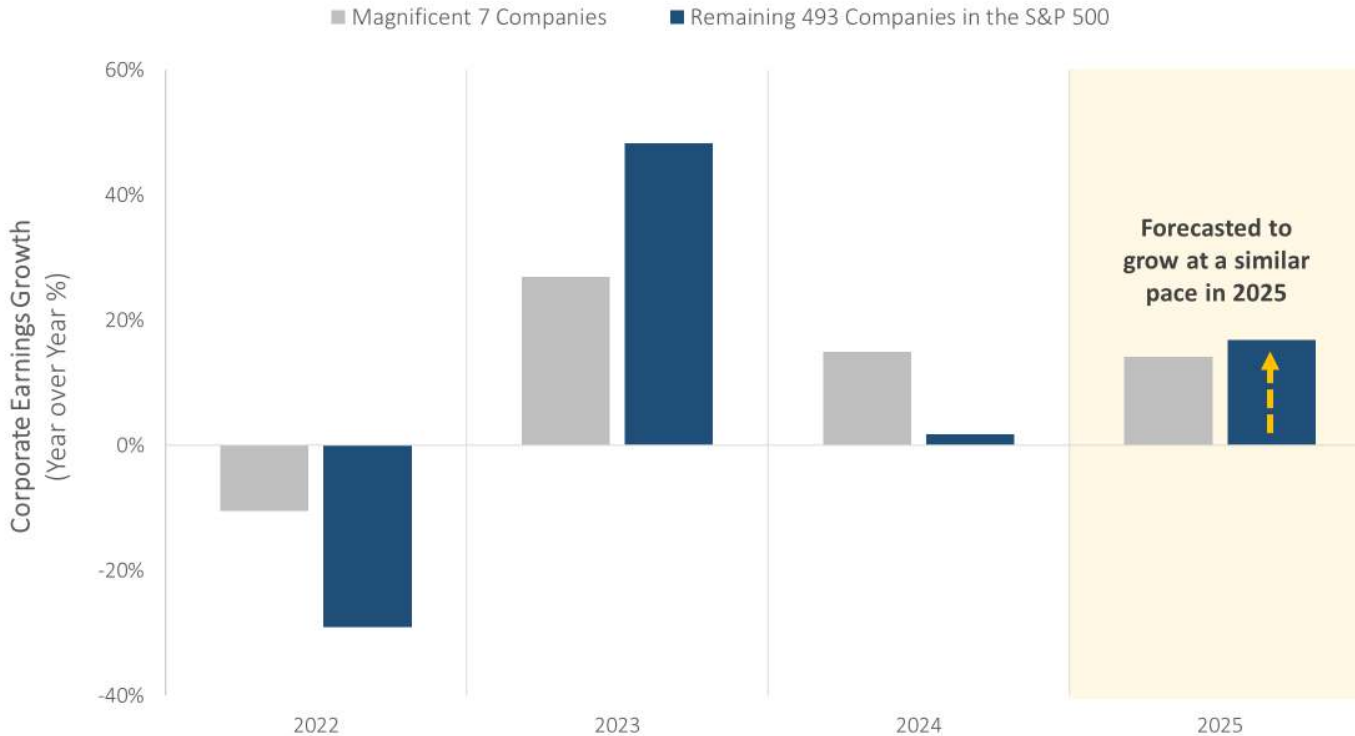
S&P 500 weekly forward profit margins near record high levels



S&P 500 Earnings Expected to Grow over the Next 2 Years



New Opportunities – Corporate Earnings are Forecasted to Rebound



Disclosures: Data is based on the holdings of the State Street SPDR S&P 500 ETF (SPY). Earnings growth is based on the rolling next 12-month estimate since 12/31/2021. Latest available data as of 6/30/2024.



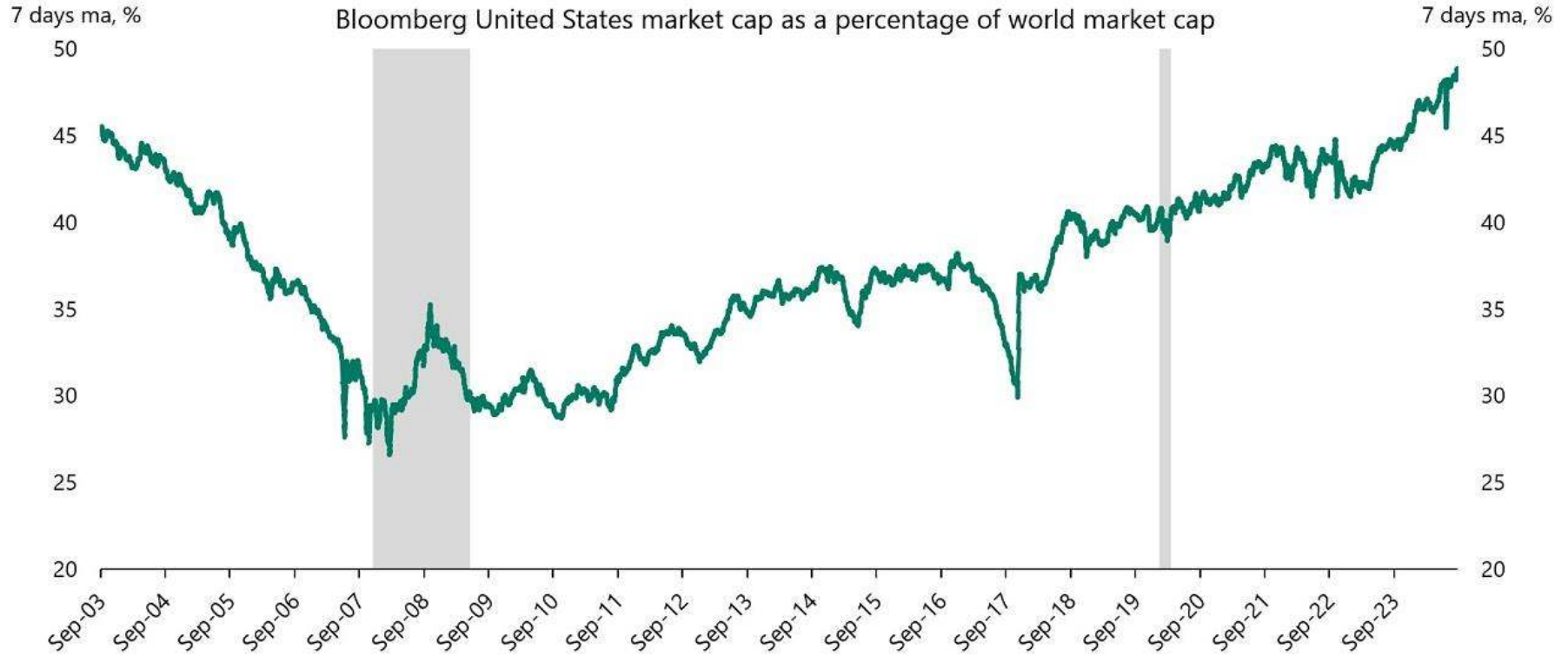
See disclosures at the end of the presentation. 14

The US is Half the World's Stock Market



APOLLO

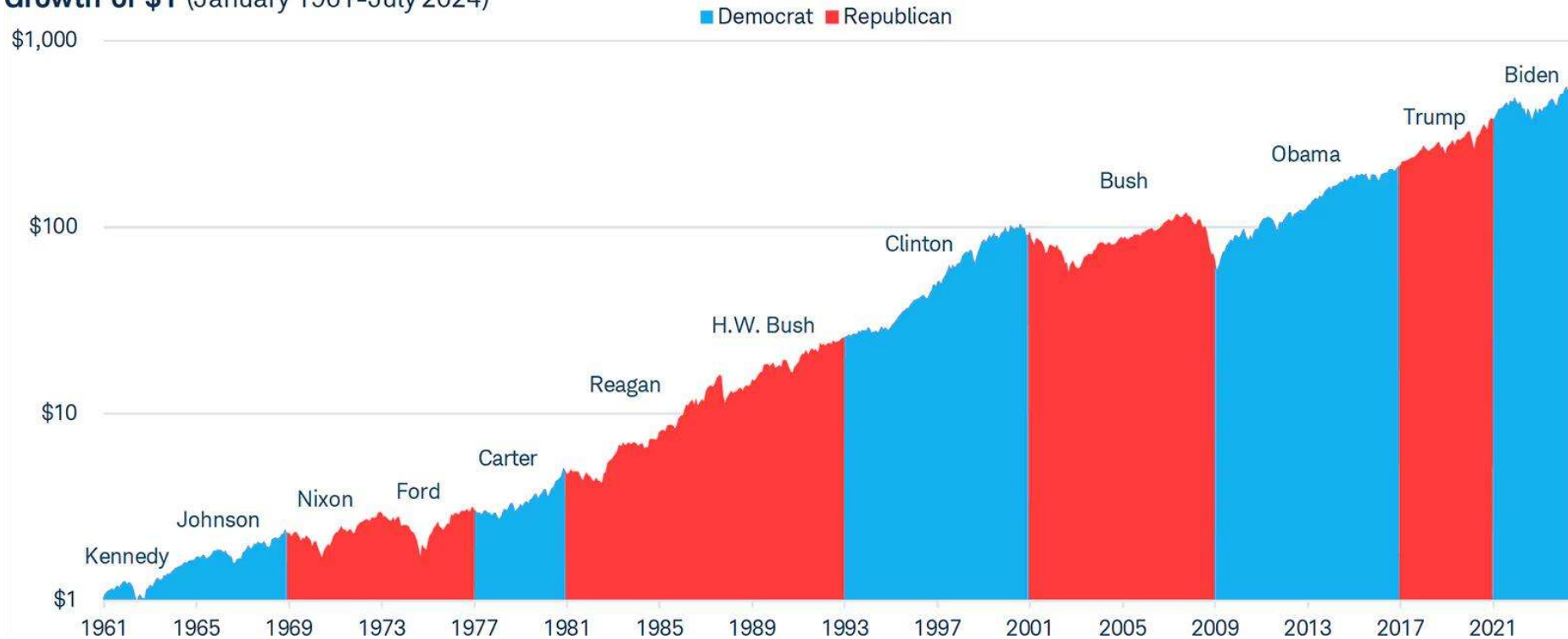
United States stock market now makes up almost 50% of world market cap



Markets and Elections – Democrats Vs Republicans



Growth of \$1 (January 1961–July 2024)





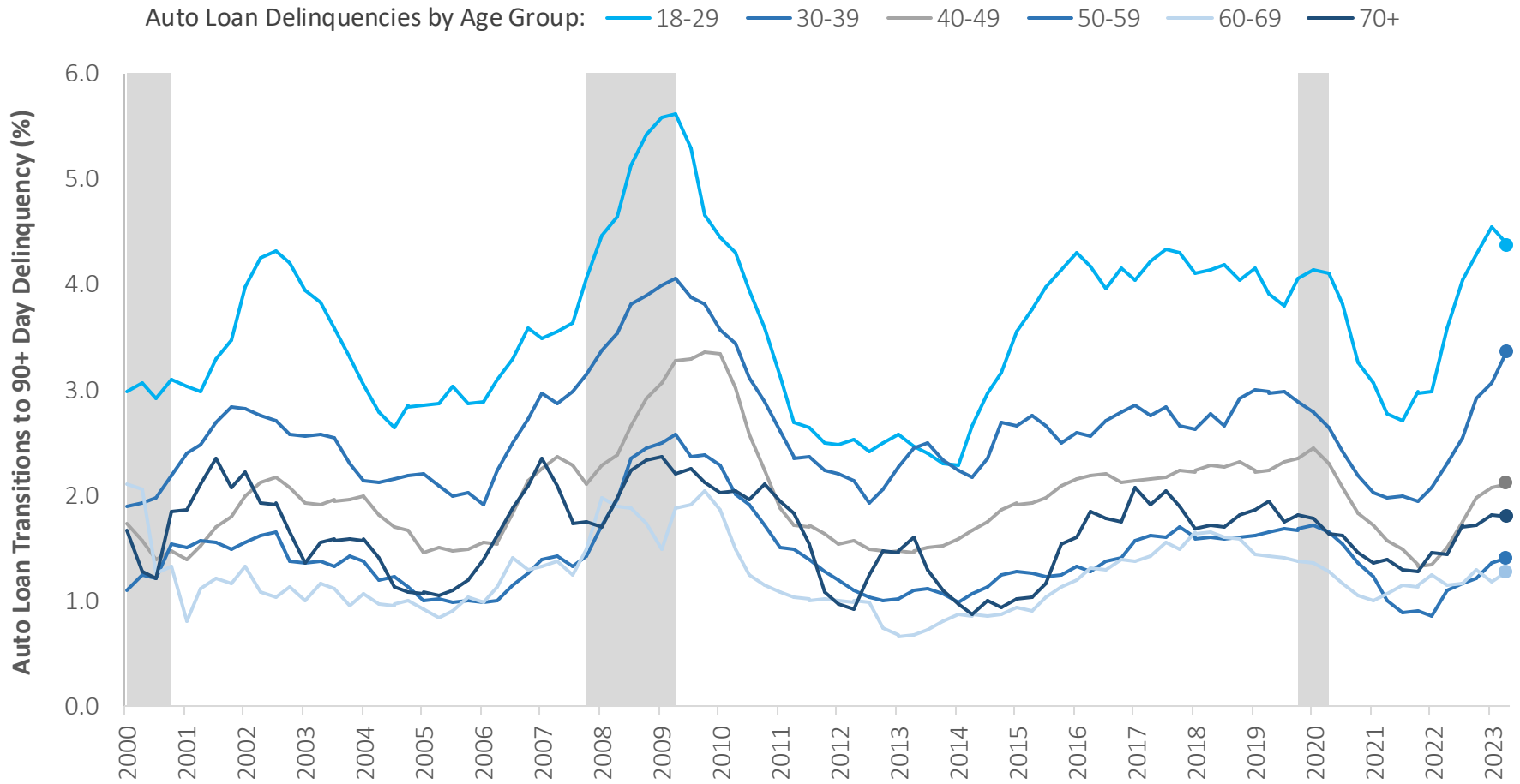
THE BAD NEWS

www.goldenstonewealth.com



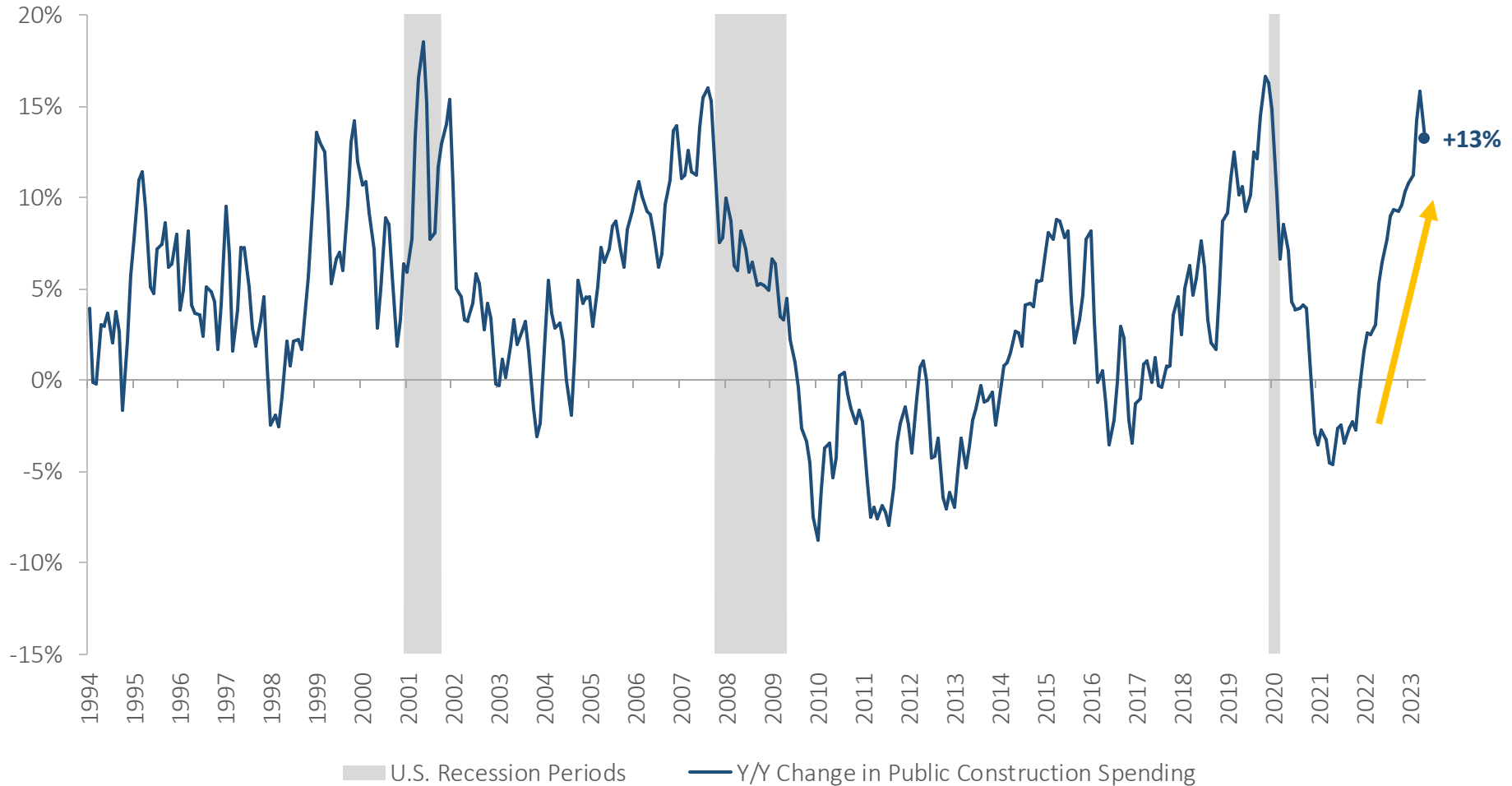


What We're Monitoring – Rising Auto Loan Delinquencies



Disclosures: Data is sourced from New York Fed Consumer Credit Panel/Equifax. Latest available quarterly data as of 9/30/2023.

Fiscal Spending – U.S. Government Spends Big on Public Construction



Disclosures: US Census Bureau, National Bureau of Economic Research (NBER). Data is seasonally adjusted. Latest available monthly data as of 9/30/2023.

Other Regional Challenges and Headwinds

Less than Vibrant Job Market in Sacramento

Back To Office In Bay Area

Declining Affordability

Mortgage Rates Will Stay Sticky

Elusive Homeowner Insurance and Auto Insurance

In Spite of Challenges, What's Not To Love About Sacramento?

Homeownership is Still The American Dream





QUESTIONS AND FEEDBACK

Sanjay Varshney

sanjay@goldentonewealth.com

916-799-6527

www.goldenstonewealth.com





GOLDENSTONE
WEALTH MANAGEMENT

Varshney & Villegas Private Investments

"Your Stepping Stone To A Golden Life"

Disclosures and Legal Notice

Goldenstone Wealth Management, LLC (“Goldenstone Wealth Management”, “Goldenstone”) is an independent investment management and advisory firm. Please note that the use of the term “registered investment adviser” and description of Goldenstone Wealth Management and/or our advisors as “registered” does not imply a certain level of skill or training. You are encouraged to review our Brochure and Brochure Supplements for our firm’s associates who advise you for more information on the qualifications of our firm and our employees. Advisory services are only offered to clients or prospective clients where Goldenstone Wealth Management and its representatives are properly licensed or exempt from licensure. This presentation is not a solicitation and is used solely for informational and educational purposes. Past performance is no guarantee of future returns. Investing involves risk and possible loss of principal capital. No advice may be rendered by Goldenstone Wealth Management unless a client service agreement is in place.

The information contained in any third-party resource cited herein is not owned or controlled by Goldenstone. Goldenstone does not guarantee the accuracy or reliability of any information that may be found in such resources. Links to any third-party resource are provided as a courtesy for reference only and are not intended to be, and do not act as, an endorsement by Goldenstone of the third party or any of its content. The information provided in this presentation is for general purposes only and should not be construed as, or used as a substitute for financial, investment, or professional advice. If you have questions regarding your financial situation, you should consult your tax, legal, or investment advisor.

