



STRONG START FOR MARKET IN 2024 BUT QUESTIONS SURFACE IN EARLY Q2



Building upon a strong finish at the end of 2023, the market continued its climb in the first quarter of 2024 with the Dow, S&P and Nasdaq up 5.62%, 10.16%, and 9.11% respectively. But the start of the second quarter has

been far from robust with the market falling nearly five percentage points on the Dow, six full points on the S&P and over seven points on the Nasdaq!

As of April 22, the S&P and Nasdaq are coming off a six-day losing streak, the longest since October of 2022. Tech stocks have been hit hardest, with the S&P 500 tech sector on a four-week losing streak and coming off its biggest weekly decline since March 2002, losing 7.3% just last week. So, what gives?

As discussed in recent letters, stocks and bonds are clearly very sensitive to anticipated levels of inflation and what the Federal Reserve might do about it. As we know the Fed has raised rates to cool the economy and ease inflation. While much progress has been made from the 40 plus year highs which notched inflation at just over 9% nearly two years ago, March 2024 figures came in hotter than expected with figures still stuck at 3.5% to 4.0%.

Clearly, the long-held view by the Fed that inflation would be a “transitory” result of Covid and supply chain disruption is out the window. Inflation has been stubborn and “sticky” as the “last mile” or final stretch to get to the Fed’s target rate of 2% has proven to be the hardest. I have been in the camp that at some point the decline in inflation would stall and that rates would be “higher for longer.” The market now seems to be facing that same reality.

But this is no new conversation. In past letters we expected markets to be volatile until inflation was under control. Markets had a slump from July to October of last year due to “higher for longer” Fed speak erasing all stock gains on the year while the 10-year treasury yield soared to just over 5% at the end of that period.

A Fed “pause” came into vogue at the end of last year with some economists calling for as many as six to eight Fed rate cuts during 2024 and starting in March. With no cut in March due to stronger than expected economic data and the “hot” inflation number released in mid-April, now those projections have been revised significantly downward, with the odds of a June cut now 50/50 and some economists actually revisiting rate increase predictions. The yield on the 10-year treasury which began the year at 3.88%, recently rose from 4.25% to 4.65% in just a few days, with 5% once again in sight.

Old questions about whether the Fed will be able to engineer a “soft landing” have resurfaced, not to mention ever increasing concerns surrounding continued strife in the Middle East. Recent and unprecedented events like the exchange of missiles between Israel and Iran seem to have simmered down but a reminder that the possibility of outright war is never off the table.

For now, risks seem to outweigh further rewards and we continue to tread lightly reviewing overall asset allocations and generally enjoying higher yields by putting cash to work in short term money markets and the fixed income markets. Thank you for your continued trust and confidence in us. Spring is finally here and Summer just around the corner—enjoy!

Warm Regards,

Joe Romano, President

HOW ROMANO WEALTH MANAGEMENT PROTECTS YOUR FAMILY'S ASSETS



Technology has revolutionized the world and generally enhanced our daily lives, but it is not without its downside. Cybersecurity is a burgeoning industry designed to mitigate online risk but malevolent players always seem to be one step ahead. The most common

scheme we have encountered is when client email accounts are hacked and an imposter, posing as our client, requests a money transfer. This begs the important question, how are your family's assets protected at Romano Wealth Management?

Cyber and online risk can be vastly reduced with proper security procedures and practices in place. At Romano Wealth Management, we protect your privacy and validate money transfer requests in a number of ways, both procedurally and through the use of technology.

Given the risk, the solution would seem to be complicated but it is actually very simple and extremely effective. **We limit money movements to outside accounts in your name only whenever possible, and we verbally verify all initial bank transfer setups, changes in personal information, and third-party transfer requests (transfers from you to someone else).**

Transfer requests are verified by calling you on a known phone number, verifying the terms of the transfer, and asking you a few personal questions that we believe only you will know. We also record the call and store it for future review if needed. In the unlikely situation a funds transfer, ACH, or account change cannot be verified by this process, we will not process the transfer or change. And of course, if the request is not genuine not only will we not process it but will immediately notify you so that you can take the appropriate measures to address any breach.

If you have online access to your First Clearing accounts, in June you will receive information regarding a security upgrade to Two Factor Authentication, sometimes called Multi-Factor Authentication or 2FA. This is one of the highest standards used by financial institutions today as it requires two steps to verify a person's identity during the login process. This extra element is a one-time use passcode that is sent to you by either text, email, or voice call which you then provide to gain access.

In addition to the safety processes and procedures we take, it is important for all consumers today to be vigilant. Don't provide any personal, banking, or credit card information to any unsolicited caller. Fraudsters prey on unsuspecting people, especially seniors. It is not impolite to just hang up on these callers.

Be extra vigilant regarding communications like emails and texts that are seemingly coming from a family member requesting cash for an emergency need—especially if the request requires the transfer sent via gift cards or Western Union-type services.

Finally, if you believe any of your personal information or an account from another financial institution has been compromised, please notify us immediately. Not only can we place a 30-day watch on your RWM account as an additional step to those described above, but we can also provide guidance and helpful resources on proper actions to take.

While the threats that exist today may seem scary compared to even just a few years ago, with proper vigilance on both your part and ours we can minimize these risks. If you have further questions, please contact your Portfolio Manager.

Eric Bederman, Chief Compliance Officer

ROMANO NEWS



EVANSTON CHAMBER OF COMMERCE BOARD PRESIDENT

Valerie Romano, RWM Operations and Client Services Manager, currently serves as Board President of the Evanston Chamber of Commerce. The Chamber works to serve as the voice of and a resource to the business community. "I've never lived in a place where people are so involved on a local and micro-local level," Valerie shared, "The Evanston community is filled with passion and energy. We are ready to capitalize on these assets to strengthen and build our local businesses."

WELCOME MEGAN



Romano Wealth Management is excited to welcome our newest **Portfolio Manager**, **Megan Naydenova**, who joined the firm on April 22, 2024.

Megan comes to us from Morgan Stanley after five years of experience working with clients, first as a Wealth Advisor Associate, and then as a Financial Advisor. Her approach to wealth management begins with the financial planning process where she takes time to understand her clients so their plan truly reflects their aspirations. It is through her holistic approach toward client service that Megan conveys to her clients information on a wide range of topics to keep them abreast of market movements enabling them to make educated decisions. Megan works to ensure that her clients not only stay up-to-date but remain involved in their success every step of the way. Megan earned membership in Morgan Stanley's 2024 Pacesetter's club which recognized her outstanding achievements.

Megan graduated from the University of Illinois with a degree in Economics. Her licenses include the FINRA Series 7 and 66, and she is a Life and Health Insurance Producer.

When she is not in the office, Megan enjoys skiing, traveling to new destinations, and attending Chicago Bulls games with her family.



JOE ROMANO VISITS WOODLANDS ACADEMY

Joe Romano was recently a guest teacher at Woodlands Academy where his daughter Tessa attends high school. He spoke to Mr. Guo's Algebra I and II classes about the impact of math on his career.

"So proud of my daughter Tessa and to be able to present at her school," Joe shared, "The girls are now whizzes on Price to Earnings Ratios and ready to begin their investment careers!!! Thank you Mr. Guo and WA."

THE IMPORTANCE OF STAYING INVESTED

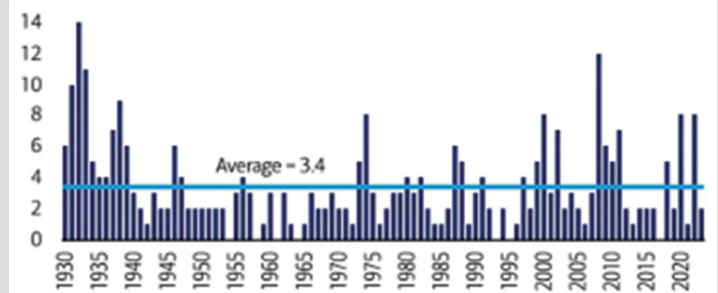


To dovetail into what Joe has written, we are entering the summer months where the market often trends down given lower trading activity and volume. With the current economic back drop and unprecedented market run, we would not be surprised to see some relative weakness.

That said, it is important to contextualize any potential corrections within a broader perspective. Looking back over the past two decades, we observe that market pullbacks of least 10% have occurred in half of those years, and pullbacks of 5% are even more common as seen in the chart on the right. However, despite the temporary setbacks, the markets have shown resilience with overall gains averaging 7% annually over the same period. That trend is even more pronounced when considering the S&P 500 index, which has risen 79% of the time since 1942.

What does this mean for investors? It underscores the importance of maintaining a long-term perspective. While short-term market fluctuations may capture headlines, staying committed to a strategic investment approach aligned with your financial goals is paramount. Throughout history, the markets have weathered significant events including world wars, terrorist attacks, pandemics,

Exhibit 10: 5% pullbacks in the S&P 500 have occurred 3x per year
Frequency of 5% pullbacks since 1930



Source: Bloomberg

and the financial crisis. Through it all, maintaining exposure to markets has proven beneficial for investors over the long haul.

Nonetheless, It is crucial to recognize that investing in the stock market isn't suitable for every investor. A thorough discussion of your risk tolerance with your portfolio manager is essential to ensure your investment strategy aligns with your financial objectives. Most investors benefit from a balanced portfolio comprised of various asset classes including stocks, bonds, and cash custom-tailored to their individual risk profiles.

Scott Miller, Portfolio Manager



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CLIENT NEWS



RWM proudly supports the **Hoops for the Ages Senior Basketball Tournament** with all proceeds benefiting The Levy Senior Center Foundation. The goal of the tournament is to celebrate senior basketball players who are proving that hoops can be played at any age. This year, the tournament took place on April 27th and includes players 40 and up. Teams have entered the competition from Illinois, Michigan, Indiana, Wisconsin, and Nebraska.

Longtime Romano client, **Dorrance Halverson** (pictured in black), started shooting hoops shortly after the Levy Senior Center opened in 2002. “I played alone for some time until I ran into two more players and we began to play together,” said Halverson. “Now, we have over 50 active senior players with the oldest female player at Levy at 90 and the oldest male at 85.”

Several teams representing the Levy Senior Center have won medals at the National Senior Games which were held in Pittsburgh in 2023.

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