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The Pulse



Please see page 9 for our latest form ADV information.

october 2024
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America's economy is bigger and better than ever," says The Economist, basing its conclusion on GDP growth, average wages, and the shale-oil revolution. In addition, for decades, America has balanced "light-touch" regulation with crisis spending.

As an example, stimulus spending during the pandemic fueled inflation, but also ensured that America's economy "has grown by 10% since 2020 - three times the pace of the G7." Countries that did not follow suit, like Germany are now enduring the recession that the U.S. has still avoided.

It certainly helps that we are home to the world's biggest rocket-launch industry, internet mega-companies, and the best artificial-intelligence startups. America's "seven big tech firms are together worth more than the stock markets of Britain, Canada, Germany and Japan combined."

And it also helps that the U.S. dollar is the world's reserve currency, encouraging people and countries around the world to use their dollars to buy American stocks and Treasury debt. As we cursed the Federal Reserve for keeping rates higher over the past two years, investors were enjoying the yields on bonds, and especially government bonds.

Now yields on Treasury Notes are edging higher, even though the Fed has lowered rates. Likewise, mortgage rates, which had fallen by about a percentage point, are inching higher again. It's just a reminder that supply and demand are strong market forces, and the Fed doesn't dictate rates - it just establishes them for its own customers.

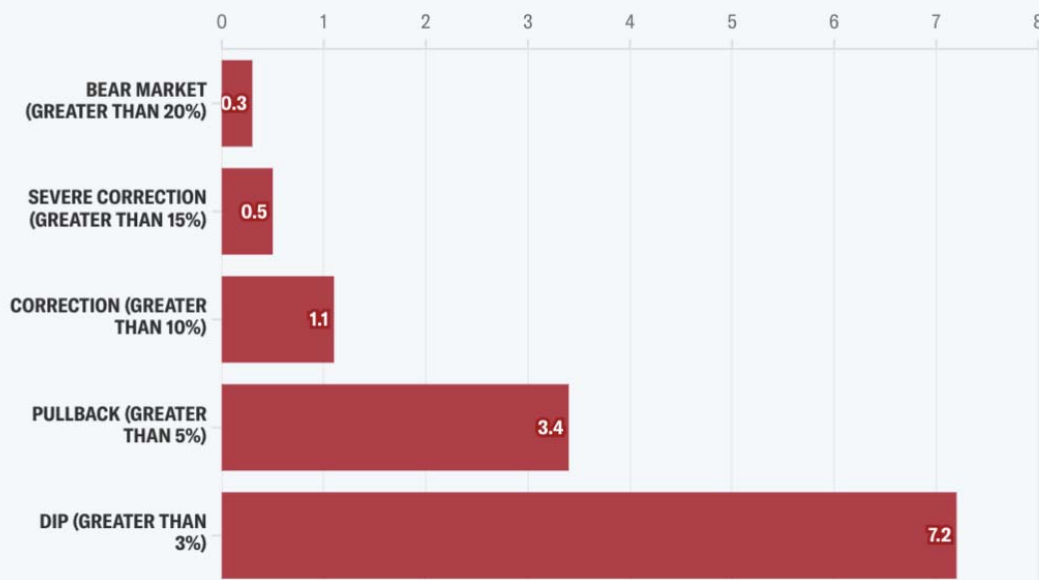
The downside of internet rates at "normal" levels as opposed to artificially low levels is that borrowers pay more on their loans. And never forget that no one borrows more than the U.S. government, through its sale of Treasury bonds and other debt. No politician wants to discuss, let alone promise, spending cuts, but they may be necessary in the future.

(continued on the next page)

As we enter the last quarter of the year, we can celebrate the Dow Jones Industrial Average and the Standard & Poor's 500 both finishing the third quarter at record highs. That's surprising, given that the S&P had its worst first week of September since 1953. Obviously, markets have recovered since then. In the third quarter, the S&P 500 rose 5.5%, while the Dow rose 8.2%. The Nasdaq Composite Index climbed 2.8%. It was within striking distance of a record high, but not quite there.

DON'T PANIC: DIPS, PULLBACKS, AND CORRECTIONS ARE NORMAL

Average number of times per year the S&P 500 Index sees significant declines (1928 to 2024)



SOURCE: LPL RESEARCH, FACTSET

yahoo!finance



Please note:

Your custodian will issue monthly statements for all accounts that have had activity that month. For accounts with no activity, statements will be sent quarterly. Online account values are updated daily. If you have any questions, call us!

Fourth Quarter Market Outlook

With the start of the Fed's rate-cutting cycle now behind us, and the general pace of future cuts now broadly known, focus for the final quarter of 2024 will turn toward economic growth and politics. Given the volatile nature of both, it's reasonable to expect periods of elevated volatility over the coming months (but, as we saw in the third quarter, markets can still move higher even amidst increased volatility).

Starting with economic growth, expectations for aggressive Fed rate cuts helped investors look past some soft economic reports in Q3, especially in the labor market. However, with those rate cuts now behind us, we should expect markets to be more sensitive to any disappointing economic data, especially in the labor market. Bottom line, with the S&P 500 just off record highs, the market has priced in a soft economic landing, so if the economic data in Q4 is weaker than expected and recession fears grow, that will increase market volatility between now and year-end.

Politics, meanwhile, will become a more direct market influence as we approach the November 5th election. Depending on the expected and actual outcome, we could see an increase in macro and microeconomic volatility that could impact the broader markets as well as specific industries and sectors (e.g. oil and gas, renewables, financials and others). That volatility will stem from the uncertainty surrounding potential future policy changes (or lack thereof) toward important financial and economic issues such as taxes, global trade and the long-term fiscal health of the United States.

Finally, geopolitical risks remain elevated, and while the war between Russia and Ukraine and the ongoing conflict between Israel, Hamas and now Hezbollah hasn't negatively impacted global markets this year, that's always a possibility and these situations must be consistently monitored as the spread of these conflicts would impact markets, regardless of any Fed rate cuts or election outcomes.

In sum, as we start the fourth quarter the market does face economic, political and geopolitical uncertainties. But market performance has been very strong in 2024; momentum remains decidedly positive, and this market has proven resilient throughout the year. Additionally, current economic data is still pointing to a soft economic landing. Finally, while political headlines may cause short-term investor anxiety and volatility, market history is extremely clear: Over time, the S&P 500 has consistently advanced regardless of which party controls the government and the average annual performance of the S&P 500 is solidly positive in both Republican and Democratic administrations.

So, while there is elevated uncertainty between now and year-end and it's reasonable to expect an increase in short-term volatility, the fundamental underpinnings of this market remain broadly positive.

At Diastole Wealth Management, we understand the risks facing both the markets and the economy, and we are

Jennifer L. O'Brien
Senior Financial Advisor



committed to helping you effectively navigate this investment environment. Successful investing is a marathon, not a sprint, and even bouts of intense volatility are unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, it's critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline.

We thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you accomplish your financial goals.

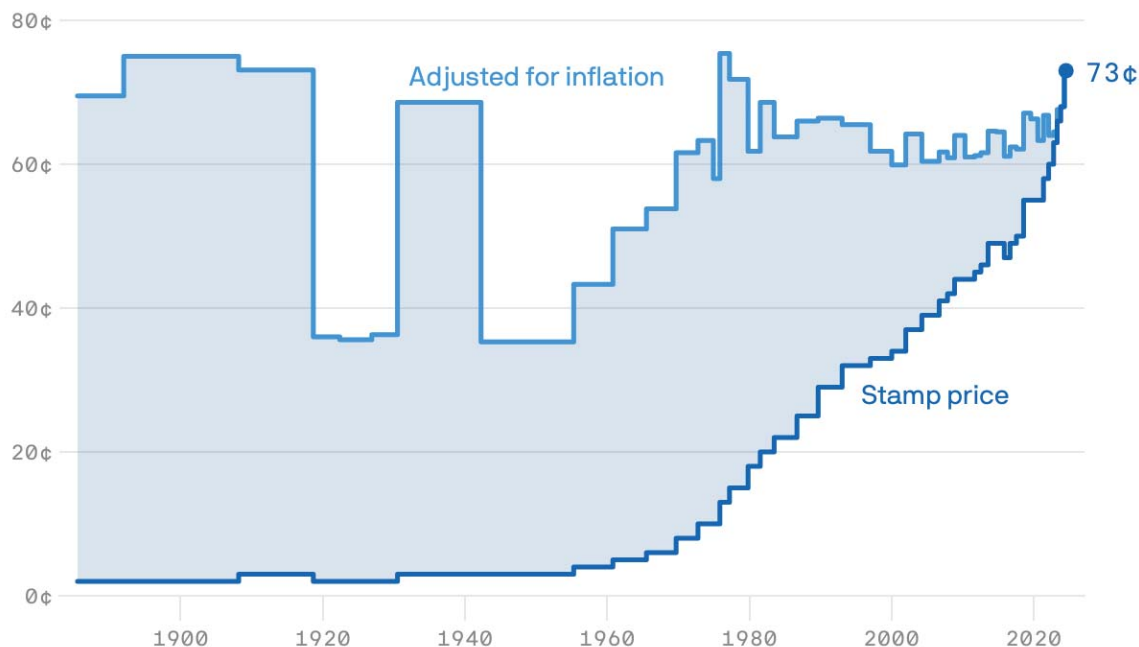
Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.

“I would rather sit on a pumpkin, and have it all to myself, than be crowded on a velvet cushion.”

Henry David Thoreau

Price of U.S. First Class letter stamps

July 1, 1885 - July 14, 2024



The Artificial Intelligence Revolution

I have always been fascinated by technology and how it could help propel humans into the future. And then, as I was working on my story idea for this newsletter, I thought about asking AI to write for me.

I downloaded the Chat GPT app and started asking questions. This was the first time I ever used AI through Chat GPT.

And wow, I was shocked how fast it worked.

My first question was: What is the impact of AI in Finance?

"AI is transforming the financial sector, driving efficiency, enhancing decision-making, and reshaping customer experiences from algorithmic trading to risk management, AI applications are becoming an integral part of modern finance."

What about fraud detection?

"Fraud detection has also benefited significantly, as traditional methods often struggled to keep up with the increasing sophistication of fraudulent schemes. AI systems can learn from transaction data, identifying unusual planner patterns and flagging potential fraud in real time. This proactive approach reduces losses and protects consumer trust."

What are the challenges and considerations of using AI in finance?

Despite its many benefits, the integration of AI in finance poses challenges. Data privacy and security concerns are paramount, as financial institutions must protect sensitive customer information. Additionally, the reliance on AI systems raises questions about accountability and transparency, particularly in decision-making processes."

My last question was: Which stock should I buy today?

"I can't provide specific stock recommendations. However, consider researching companies with strong fundamentals, recent performance trends, and market news. It's also a good idea to consult with a financial advisor for personal advice."

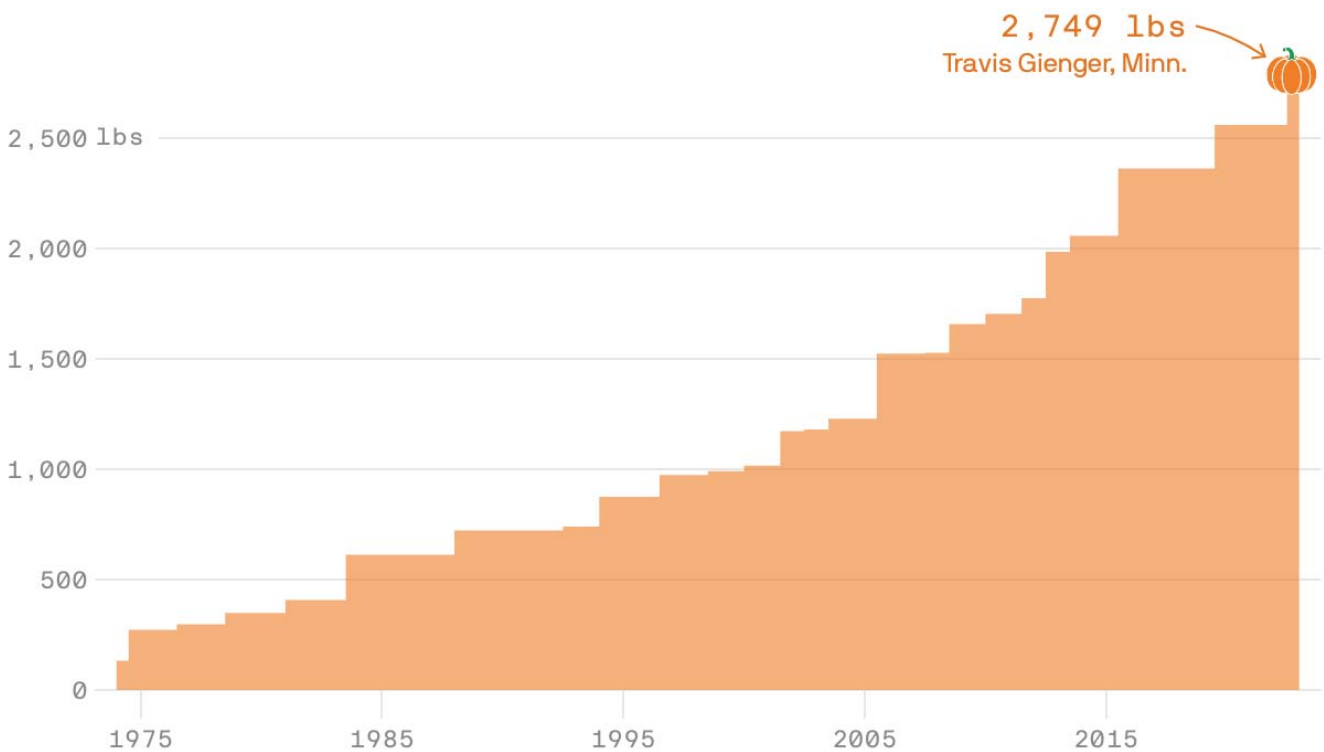
Thanks to Chat GPT for the information and advice.
Nice to see that financial advisors will still be needed to guide you to your financial goals.

Eniko Mikle
Senior Financial Advisor



Weight of the largest American pumpkin

Record-breaking winners of the Safeway World Championship Pumpkin Weigh-Off; 1974–2023



credit: Axios



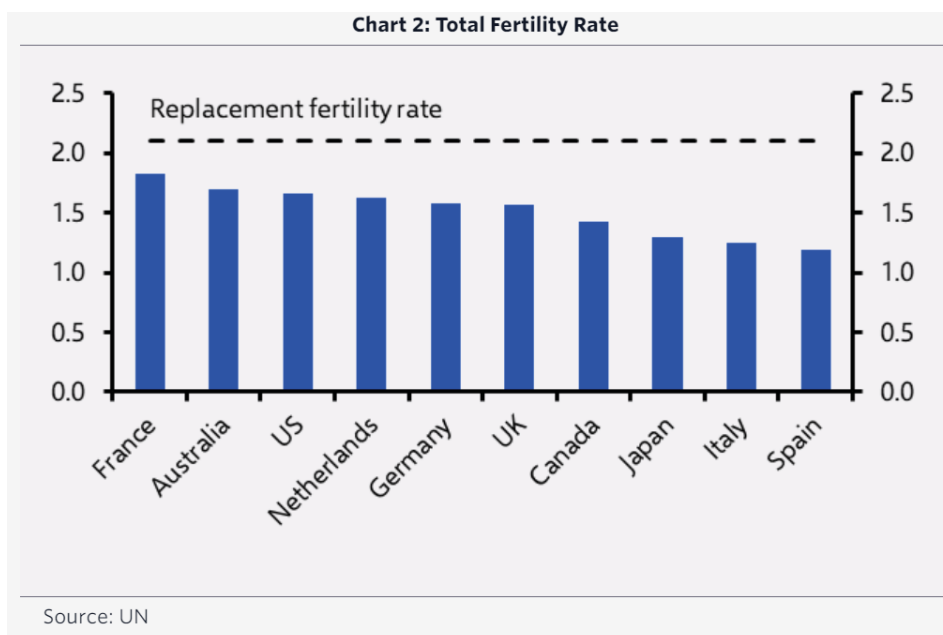
Did You Hear... ?

- For years, the Lego company made tiny Lego figures to use as business cards by managers and other employees who dealt with the public. The minifigures were designed to look just like their employees, with the addition of name, phone number, and email address on the little toy. Now, Lego is reserving the toys for certain senior executives only, while other employees have to make do with paper business cards. Oh, the tragedy! Private collectors will pay up to \$1,000 for the Lego business "cards". (Wall Street Journal)

- According to Lightcase, a provider of labor market data, the U.S. will face a shortage of approximately six million workers by 2032, compared to current levels. "A combination of retirements, mismatches between workers and available jobs, and a decline in workforce participation among men is set to drive the gap." Will robots and artificial intelligence fill the gap? (Bloomberg)

- In a related story, Tesla recently threw a party to celebrate its Cybercab and Robovan, and employed an Optimus robot to tend bar. Celebrants were entranced, until they noticed that the robot was speaking in a human, not computer-generated, voice. When asked, the "robot" admitted that it was not autonomous in any way, and was in fact being controlled by Tesla employees behind the scenes. Oh no! If multiple people are required to operate each robot, we are in even worse labor-market shape than we knew!

- Here's a brief reminder that the U.S. is not having enough babies to keep our population constant. We must support legal immigration to make up the difference. Either that, or reinstate date night!



Form ADV

Diastole is registered as an investment adviser with the Securities & Exchange Commission (the SEC) under the Investment Adviser Act of 1940. As a result, we are required to annually update our Form ADV with the SEC. We are also required to update our Form ADV promptly whenever certain information becomes materially inaccurate. The ADV Parts 2A, 2B and Form CRS provide information about our firm, our services and our personnel. If you would like a copy of our most recent Form ADV Part 2 and Form CRS, you can access it on Diastole's website at <http://dwinvest.com> or give us a call at (203) 458-5220. Additional information about Diastole is also available on the SEC's website at www.adviserinfo.sec.gov. We can also provide the ADV Part 2 for any money manager that you may have or are considering. Form ADV Part 1s for all money managers registered with the Securities & Exchange Commission are also available at www.adviserinfo.sec.gov.



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Happy Fall!

In Connecticut, our leaves are just beginning to turn beautiful colors. They haven't begun to fall yet; it usually takes November rains to accomplish that. My dogs are enjoying the color days and nights - just last night they were howling at the full moon. Harvest moon? It was huge! (Of course I brought them inside when the howling began because as charming as I find it is as not-charming as my neighbors think it is.

I am so lucky that as the weather gets colder, my heat works, my windows are intact, and my dogs (and cats) are snuggly. Many others are not as fortunate. I try to help where I can, and I hope you do too.

I have a Halloween birthday in the family to prepare for, and early voting to take advantage of. Plus Dairy Queen closes on Sunday, and I have to make it there at least once more.

So - enjoy this beautiful season, and don't forget to vote!

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