



## Weekly Focus – Think About It

“The one thing all humans share is that we all inhabit the same limited amount of real estate, which is Planet Earth.”

—Bjarke Ingels, architect

# THE MARKETS

## ALL THE WORK, WORK, WORK

2023 has been a remarkable year so far. It has, “confounded economists, humbled forecasters, and rewarded investors. Despite a rapid rise in interest rates, the U.S. economy continues to grow. Inflation has fallen – if not quite to desired levels – and stocks have entered a bull market, with the S&P 500 gaining 17% year to date and the Nasdaq Composite up more than 30%,” reported Nicholas Jasinski of *Barron’s*.

One of the biggest surprises has been the strength of the labor market. Over the 12-month period through August 31, 2023, employers added about 271,000 new jobs each month, on average, according to the U.S. Bureau of Labor Statistics. (In August, 187,000 new jobs were created, suggesting some labor market softening.)

So far this year, we’ve seen:

**4-of-5 prime-age workers working.** Last summer, the employment-to-population ratio, which compares the number of people employed to the civilian population of a city, state or country, reached a 20-year high for 25- to 54-year-olds. In June, July and August, the ratio was 80.9 percent, according to the St. Louis Federal Reserve (SLFR).

“This ratio is a good barometer of the overall health of the labor market because it excludes younger people who are more likely to be in and out of school as well as older people who may be retired,” reported Stephanie Hughes of Marketplace.

**The employment-to-population ratio for women hit a record high.** In the second quarter, the employment-to-population ratio for women reached 75 percent – a new record. Three-of-4 women, ages 25 to 54, were employed, according to the *SLFR*.

“Women are crushing it in the labor market right now – their return to work from the pandemic has been faster than men’s...A big part of this is the rise of remote and flexible work, which has enabled a record number of women with young children to enter or remain in the workforce,” reported Emily Peck of Axios Markets.

**The labor force participation rate increase.** The labor force participation rate – the number of people who are employed or are seeking employment – remained stubbornly low even after the U.S. economy reopened following pandemic closures. In August, the labor force participation rate increased to the highest level since the pandemic.

“The labor market continues to rebalance in a healthy direction. The U.S. economy is still adding jobs...And, for employers, there are now more workers available per open positions, and wage pressures are abating,” reported Jasinski of *Barron’s*.

Last week, major U.S. stock indices moved lower when economic data raised concerns the Fed may need to raise rates again, according to *Barron’s*. In the Treasury market, the yield on the 30-year U.S. Treasury bond finished the week at 4.3 percent.

Data as of 9/8/2023	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.3%	16.1%	11.3%	10.2%	9.2%	10.3%
Dow Jones Global ex-U.S.	-1.5	5.3	9.7	1.5	1.2	1.6
10-year Treasury Note (Yield Only)	4.3	N/A	3.3	0.7	2.9	2.9
Gold (per ounce)	-0.7	6.4	12.8	0.3	10.0	3.3
Bloomberg Commodity Index	-0.6	-6.0	-8.7	14.1	5.1	-2.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.  
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

## HEADWINDS FOR HOME BUYERS

If you've ever taken a long bike ride on a windy day, you know that cycling into a headwind can be difficult and discouraging. Riders spend more energy, travel more slowly, and may give up before reaching their goal. During much of 2023, prospective homebuyers have encountered strong market headwinds, including low inventory, high prices, lots of competition, and rising mortgage rates.

The United States has been experiencing a sellers' market – where home sellers have an advantage over home buyers. In times like these, it can be difficult to remember that residential real estate tends to be cyclical. While buyers face headwinds today, the market is likely to shift in the future, giving buyers the advantage.

Determining where we are in the cycle has become more challenging because new factors are affecting the market. These include:

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**The popularity of remote work.** “One thing that has surprised me is the permanence of work-from-home. If you look at how many people are going to the office, it has decreased significantly. Even for people who returned to the office, it’s not every day. So if you only have to be in the office a few days a week, you’re willing to have a longer commute. Demand for more space in certain areas of the country has increased, which has boosted house prices,” said Northwestern University Associate Professor Charles Nathanson in an interview with *Kellogg Insight*.

**Concerns about climate risks.** Eighty-three percent of prospective home buyers consider the risk of flood, hurricane, wildfire, extreme temperatures, and drought, according to a new survey. Climate risks are considered by 90 percent prospective homebuyers in the West, 85 percent in the Northeast, 79 percent in the South, and 77 percent in the Midwest.

Housing prices remained flat, year-over-year, in June 2023, according to the S&P CoreLogic Case-Shiller U.S. National Home Price Index. The 20-city index showed prices moving higher in 10 cities and lower in 10 cities.

Best regards,

Andrew Zittell  
Yerba Buena Financial Partners

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\* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

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\* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

\* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.

\* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

- \* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- \* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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