



Weekly Focus – Think About It

“[In retirement] we do have something we never had before: we have the added pressure of time. We can no longer wait around for the ideal opportunity. If we have not achieved our early dreams, we must either find new ones or see what we can salvage from the old. If we have accomplished what we set out to do in our youth, then we need not weep like Alexander the Great that we have no more worlds to conquer. There is clearly much left to be done, and whatever else we are going to do, we had better get on with it.”

—Jimmy Carter, former U.S. president

THE MARKETS

HOW HIGH WILL THEY GO?

Just as the market anticipated, the Federal Reserve Open Market Committee (FOMC) chose not to raise interest rates last week. However, Fed officials made it clear another rate increase might be necessary before the end of 2023 as continued economic strength, higher energy prices, robust consumer spending, and rising wages in a strong labor market have kept upward pressure on inflation.

FOMC economic projections indicate the Fed anticipates the effective federal funds rate will remain higher for longer than many hoped. The median projected rates were:

- 5.6 percent in 2023,
- 5.1 percent in 2024, and
- 3.9 percent in 2025.

Fed Chair Jerome Powell indicated that an economic soft landing – a slowdown in economic growth that results in lower inflation without a recession – remains a possibility, reported Howard Schneider and Michael S. Derby of *Reuters*.

Former Treasury Secretary Lawrence Summers warned that any expectation for a soft landing might be too optimistic as significant risks remain, including upward pressure on wages, slowing consumer spending, and higher borrowing costs, reported Chris Anstey of *Bloomberg*. As a result, it's possible the Fed could be surprised by weaker economic growth or higher inflation.

After the FOMC meeting, yields on bonds moved higher. The yield on a one-year United States Treasury bill finished Wednesday at 5.47 percent, and the yield on the benchmark 10-year Treasury note closed at 4.35 percent.

U.S. stock markets moved lower as investors considered the potential effects of high interest rates for longer. Rising interest rates (and tightening bank lending standards) make borrowing more difficult, lifting the cost of capital and lowering profits. When company profits drop, share price valuations tend to move lower, reported Mary Hall in *Investopedia*.

As investors mulled the Fed's outlook, the possibility of a government shutdown, and other factors, major U.S. stock indices finished the week lower, according to *Barron's*. Yields on U.S. Treasuries generally moved higher over the week.

Data as of 9/22/2023	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.9%	12.5%	15.0%	9.2%	8.2%	9.8%
Dow Jones Global ex-U.S.	-1.8	5.1	13.8	1.8	0.4	1.2
10-year Treasury Note (Yield Only)	4.4	N/A	3.7	0.7	3.1	2.7
Gold (per ounce)	0.0	6.4	15.3	0.4	9.9	3.8
Bloomberg Commodity Index	-1.2	-5.8	-8.4	14.4	4.6	-1.9

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.

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Best regards,

Andrew Zittell
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Sources:

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* 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.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* 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.
- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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