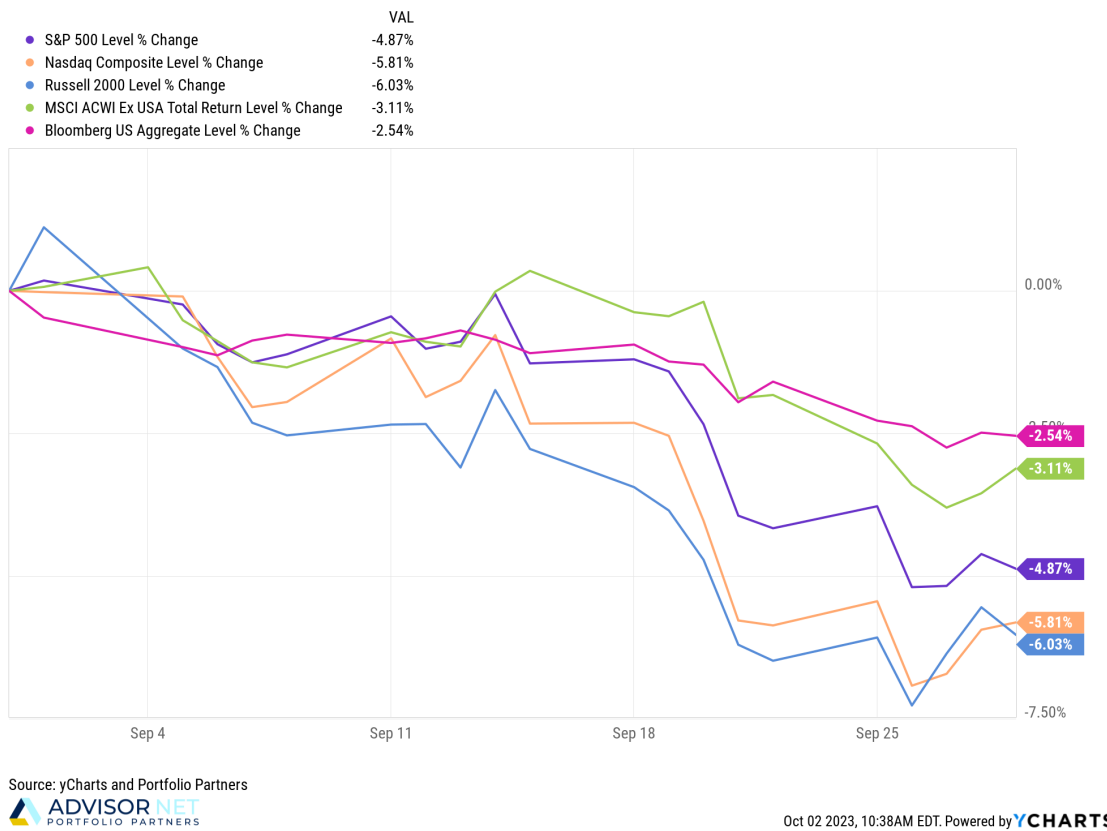


30 Days Hath September

And thank goodness for that! As we noted last month, September tends to be the weakest month of the year for stock returns. This looks like it may be the case for 2023. The encouraging news, however, is that we are now entering the seasonally strong time frame for stocks.

The S&P 500 declined -4.87%, the NASDAQ Composite lost -5.81%, the Russell 2000 dipped -6.03% and the MSCI ACWI index fell -3.11% during September. The bond market slipped as the Federal Reserve Board (Fed) gave guidance for higher rates in 2024 than the market expected. The 10-year U.S. Treasury rate then jumped from 4.09% last month to 4.57% at the end of September. Accordingly, the Bloomberg U.S. Aggregate index lost -2.54% during the period. (CHART 1)

Chart 1 - Seasonally Weak Returns



Prime or Prune

We have devoted copious amounts of space discussing the Fed in our newsletters over the last couple of years because we think it is important for our clients. We believe that Fed policy has been an important factor driving stock returns since around 2009 when it began injecting billions (and then trillions!) of dollars into

the financial markets. The challenge for the market started in 2022 when the Fed flipped its playbook from priming the market to pruning the market. The market is now trying to answer the question of whether the Fed is flipping back to priming the market or if further pruning may be necessary. The reality, though, may be somewhere in between the two.

The Fed met for two days during the month and announced on September 20th that it will maintain its current interest rate target of 5.25% to 5.50% and expects that rate will climb to 5.50% to 5.75% by the end of the year. This news was largely expected by the market. The Fed, however, also revised its outlook for 2024 that implied only two rate cuts during the period instead of the four cuts previously projected. This news took the market by surprise and stocks steadily declined for the remainder of the month.

This information can be found on the Summary of Economic Projections published by the Fed at www.federalreserve.gov. Chart 2 includes a red star that highlights the projections for the effective funds rate for September and the previous projection from June. This information helps us track the direction and magnitude of Fed policy. (CHART 2)

The red box also shows other important economic projections by the Fed. For example, the Fed now expects GDP to grow +2.1% and +1.5% in 2023 and 2024, respectively, compared to June projections of +1.0% and +1.1%. The unemployment rate was also revised lower than expected, while inflation was adjusted modestly higher. This paints a picture of a strong economy with inflation still above the Fed's target of 2%. This news led to higher U.S. Treasury yields as investors prepared for higher rates from the Fed to continue its fight against inflation.

CHART 2

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2023

Percent															
Variable	Median ¹					Central Tendency ²					Range ³				
	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run
Change in real GDP	2.1	1.5	1.8	1.8	1.8	1.9-2.2	1.2-1.8	1.6-2.0	1.7-2.0	1.7-2.0	1.8-2.6	0.4-2.5	1.4-2.5	1.6-2.5	1.6-2.5
June projection	1.0	1.1	1.8		1.8	0.7-1.2	0.9-1.5	1.6-2.0		1.7-2.0	0.5-2.0	0.5-2.2	1.5-2.2		1.6-2.5
Unemployment rate	3.8	4.1	4.1	4.0	4.0	3.7-3.9	3.9-4.4	3.9-4.3	3.8-4.3	3.8-4.3	3.7-4.0	3.7-4.5	3.7-4.7	3.7-4.5	3.5-4.3
June projection	4.1	4.5	4.5		4.0	4.0-4.3	4.3-4.6	4.3-4.6		3.8-4.3	3.9-4.5	4.0-5.0	3.8-4.9		3.5-4.4
PCE inflation	3.3	2.5	2.2	2.0	2.0	3.2-3.4	2.3-2.7	2.0-2.3	2.0-2.2	2.0	3.1-3.8	2.1-3.5	2.0-2.9	2.0-2.7	2.0
June projection	3.2	2.5	2.1		2.0	3.0-3.5	2.3-2.8	2.0-2.4		2.0	2.9-4.1	2.1-3.5	2.0-3.0		2.0
Core PCE inflation ⁴	3.7	2.6	2.3	2.0		3.6-3.9	2.5-2.8	2.0-2.4	2.0-2.3		3.5-4.2	2.3-3.6	2.0-3.0	2.0-2.9	
June projection	3.9	2.6	2.2			3.7-4.2	2.5-3.1	2.0-2.4			3.6-4.5	2.2-3.6	2.0-3.0		
Memo: Projected appropriate policy path															
Federal funds rate	5.6	5.1	3.9	2.9	2.5	5.4-5.6	4.6-5.4	3.4-4.9	2.5-4.1	2.5-3.3	5.4-5.6	4.4-6.1	2.6-5.6	2.4-4.9	2.4-3.8
June projection	5.6	4.6	3.4		2.5	5.4-5.6	4.4-5.1	2.9-4.1		2.5-2.8	5.1-6.1	3.6-5.9	2.4-5.6		2.4-3.6

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 13-14, 2023. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the June 13-14, 2023, meeting, and one participant did not submit such projections in conjunction with the September 19-20, 2023, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

2. The central tendency excludes the three highest and three lowest projections for each variable in each year.

3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.

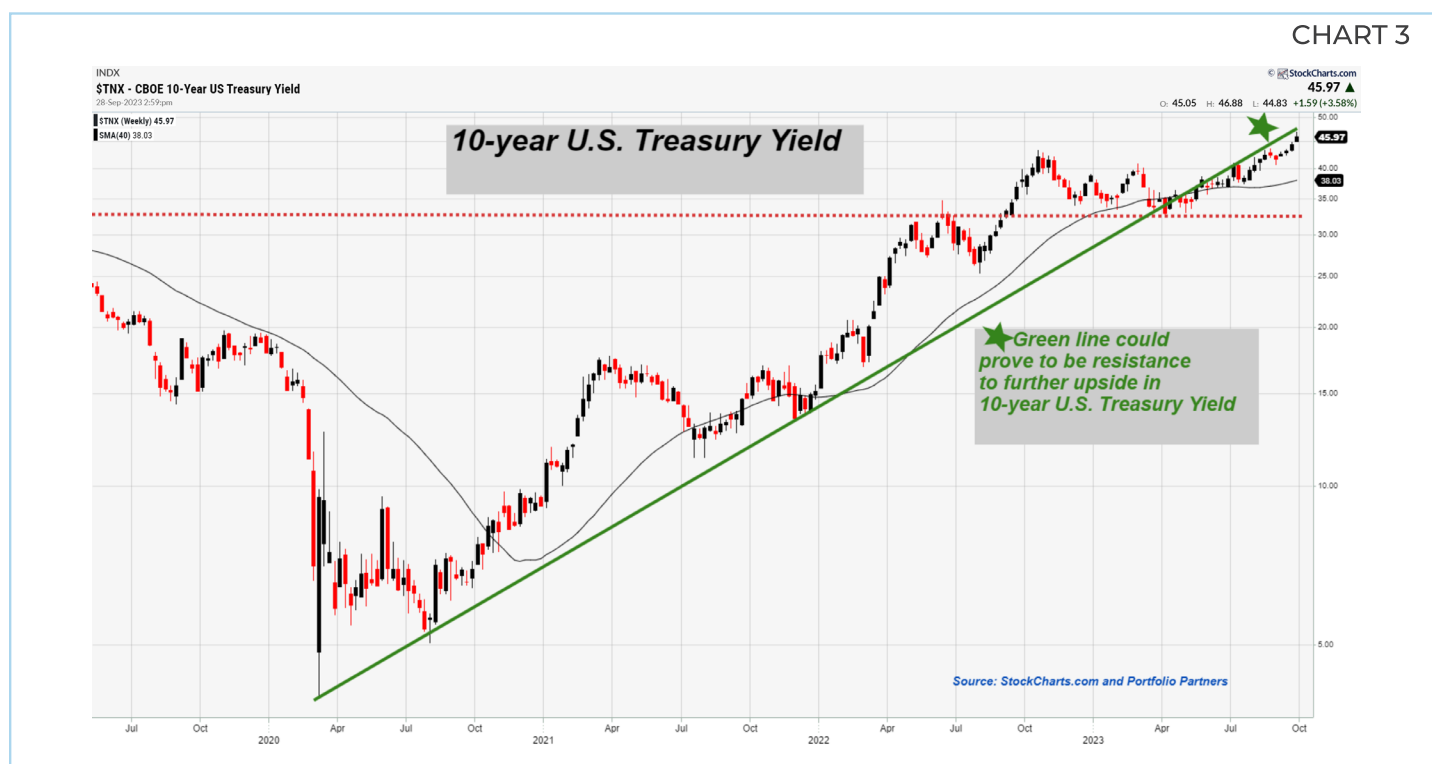
4. Longer-run projections for core PCE inflation are not collected.

Source: FederalReserve.gov and Portfolio Partners

Waiting for Clues

The action of 10-year U.S. Treasury bonds continues to be an important input into the calculus of our market outlook. We think yields have reached an important level of potential resistance marked by the green line on CHART 3. The line represents the uptrend that supported yields from early 2020 that was broken in April 2023. The green star in the top right is the area we are watching now. We think that level could prove to be resistance to further upside in 10-year U.S. Treasury yields, which would likely be positive for stock and bond returns. On the flipside, however, a move above that level could imply yields are headed toward 5%, which would likely lead to continued weakness for stocks and bonds. (CHART 3)

Our bond portfolio is positioned to continue to provide relative protection to returns if yields continue to move higher. Our focus, therefore, is to watch for signals that yields may be breaking down so we can make adjustments that benefit from the declining rates. We have had a plan in place for this contingency since we lowered duration in March of 2021. We will be sure to provide an update when that plan is put into action.



MARKET TRACKER – 9/30/2023

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	-2.08%	19.79%	10.45%	9.92%
MSCI ACWI ex-USA	-2.96%	21.38%	4.21%	3.07%
BLOOMBERG				
US AGGREGATE	-2.94%	0.34%	-5.25%	0.10%

(Source: yCharts and Portfolio Partners)

MARKET TRACKER – 9/30/2023

S&P 500	4,288.05
DIJA	33,507.50
NASDAQ	13,219.32
WTI CRUDE OIL	\$90.97/BARREL
GOLD	\$1,848.10/OUNCE
10-YEAR TREASURY FIELD	4.57%
UNEMPLOYMENT	3.80%
GDP	2.10%
PPI	1.63% Year-Over-Year
CORE CPE (INFLATION)	3.88% Year-Over-Year

(Source: yCharts, Dorsey Wright and Portfolio Partners)

*Thank you for your trust and support.
Stay focused on your long-term objectives.*

The KBW Bank Index is designed to track the performance of the leading banks and thrifts that are publicly-traded in the U.S. The Index includes 24 banking stocks representing the large U.S. national money centers, regional banks and thrift institutions.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "growth" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "value" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

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The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

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The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

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The S&P 500® Financials comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

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Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The MSCI All-Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.