

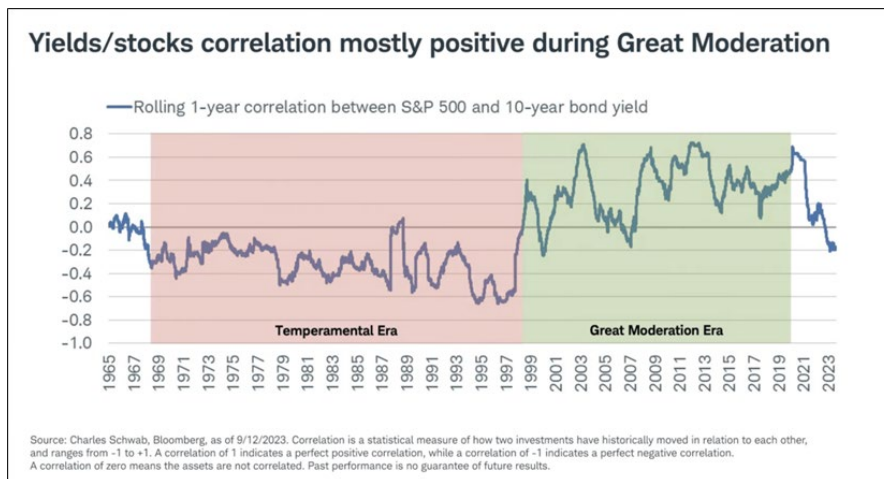
September 29th, 2023

There Walks a Lady We All Know

Some of you might recognize the that from Led Zeppelin's Stairway to Heaven and I thought it appropriate since I recently listened to a podcast featuring Liz Ann Sonders, Managing Director, Chief Investment Strategist at Schwab.

I've followed her for years and it's interesting that she often sprinkles references to rock bands/songs throughout her commentary, with Zep being one of her favs. While I don't always agree with her analysis, I find her comments regarding our current economic situation worth noting.

She talks about two distinct periods over the last six decades, characterizing from the 1960s to the late '90s as the "Temperamental Era" and the last quarter century as the "Great Moderation" using a correlation between yields to stock moves.



Sonders believes that we've ended the Great Moderation Era, and this will effectively mean a much different environment including more volatility regarding inflation, growth, and geopolitics. With such a combination, on the heels of zero interest rate policy experiments and surging government debt, likely means policymakers, both at the Fed and in Congress, may have less flexibility in the future than they did during the great moderation.

Speaking of surging government debt, we're once again watching the spectacle of congress playing chicken with government shutdowns. The House Budget Committee just passed the Concurrent Resolution on the Budget for FY2024-FY2033, which they claim would reduce the deficit by \$16 trillion and balance the federal budget in 10 years. But this has no chance of passing the Senate and being agreed to by the White House...

Quote of the Day:

"October is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February."

— Mark Twain

2023 ALTIUS EVENTS

Quarter 4

November 8th – Q4 Virtual Workshop: Estate Planning

Let us know if you have any Estate Planning questions!

December 5th – Holiday Client Appreciation Event

TAKE A LOOK INSIDE

There Walks a Lady We All Know

Taylor's Take: Walking the Line

Property Values & Property Taxes

Jenn's Jangle: Transition Updates & Wrinkles

Book Recommendation: The Innocents Abroad

Thank you to those who attended our Q3 Workshop this week!

There Walks a Lady We All Know (continued)

New era just like the old era?

Temperamental Era

- Heightened economic volatility
- More frequent recessions, but more robust expansions
- Heightened inflation volatility
- Heightened geopolitical volatility
- Policymakers faced tougher trade-offs between inflation and growth
- Labor (wages) with larger share of GDP than profits
- Negative correlation between yields and stock prices

Great Moderation Era

- Suppressed economic volatility
- Less frequent recessions, but less robust expansions
- Disinflation
- Globalization "GELeD" with cheap/abundant access to Goods, Energy and Labor
- "Fed put"
- Profits with larger share of GDP than labor (wages)
- Positive correlation between yields and stock prices

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passing the Senate and being agreed to by the White House, so the Office of Management and Budget (OMB) is reminding all senior agency officials to update and review their shutdown plans. It's worth noting that Congress has only completed the process before the beginning of the fiscal year four times in the last 47 years, most recently for fiscal year 1997.

For those of you who are saying, "wait, didn't we just deal with this?" Yes, the debt limit was suspended until January 2025. This means that even if the government shuts down next week, all the debt will get paid on time; there will be no default. I also tend to believe that shutdowns themselves haven't proven to be that big a deal. Yes, there's definitely inconvenience for some people (though furloughed government employees always get paid) and it can have a temporary downward impact on the markets but it's usually just political theatre. For someone like me who thinks we should have dramatically reduced role of government in our lives, you'd think I might be in favor of government shutdowns. The problem is that most of our politicians, even the ones who give lip service to fiscal responsibility, have no principle upon which they stand and so government shutdowns are for show and/or for their own pet issues versus causing an actual, deliberative debate in American culture on what exactly is the proper role of government.

I know I sound like a broken record on this but it's going to be an issue for you and I for the foreseeable future. Long term, the only things that can end these periodic stalemates is either the American people get fed up and demand more fiscal responsibility from their government or the lenders stop lending. This last option is seemingly more realistic as the Chinese and Japanese, the largest lenders (buyers of treasuries) in the past, have been cutting back for years now. Such continued pullbacks from international lenders could mean any of several consequences:

- Continued upward pressure on interest rates and higher borrowing costs.
- Fluctuations in the value of the U.S. dollar, as Treasury securities are denominated in dollars.
- Increased stock market volatility.
- Shift in Global Economic Power and influence.

Potentially the most disruptive consequence of this trend of mega trillion-dollar deficits and debts would be a default. Again, that's not in the cards this month but I know many economists who believe, even if they don't say it publicly, that this is the most likely scenario.

Taylor's Take: Walking the Line

You are probably aware that United Auto Workers Union (UAW) is currently on strike against US Auto manufacturers General Motors, Stellantis, and Ford. This is in addition to some other high profile union strikes going on in the US and throughout the world. Top requests from the UAW include: a whopping 36% raises in pay, cost of living pay increases, restoring prior defined benefit pension plans for employees who are currently receiving 401k benefits, upgrading healthcare benefits for new employees, and job placement opportunities for a transition of internal combustion vehicle builds to EV manufacturing job opportunities.



This is a bit of Déjà vu since the last UAW issues resulted in the union agreeing to both lower pay and benefits to ensure the US Auto market remained solvent while competing with their more cost-effective overseas competitors. Now, the Union feels the industry can afford to and should support their requests and believe that the political environment is with them. We have also now seen our first case of a US President walking the picket line as unions are a big part of Biden's reelection strategy. His economic policies are meant to bolster unionized U.S. manufacturing operations through a range of strings-attached industrial subsidies.



We're seeing a general resurgence in unions and the impulse to strike including the Screen Actors Guild in support of the Hollywood writers (SAG-AFTRA) and service workers in Vegas. This may be evidence that wages and benefits have not kept pace with inflation or the various businesses profitability, but the economic reality is that such hard-nosed collective bargaining often keeps an industry that doesn't have competitive advantages limping along and fosters a misallocation of capital.

What does this mean for you? From a consumer standpoint both the UAW strike and the increased labor and benefit costs usually leads to a lower supply and higher cost in vehicles, especially US vehicles, in the coming months and years. For smaller Mid-west economies across the country in towns that focus primarily on the auto industry income and sales we will likely see pain and struggle in the short term while the UAW and the big 3 Auto Makers come to a compromise. Looking at the overall economy, the 3% of US GDP that comes from the auto industry could see a hit, and along with other strikes, could move us toward even slower growth.

Property Values & Property Taxes

If you own real estate in Colorado (or almost any state in the nation), you've been happy by how much that real estate has appreciated in the last several years. But recently you may have been shocked to find out how much property taxes you'll be paying in the future. I have a good friend who is an expert in property valuation, real estate market analysis and property taxes, especially on commercial property. He makes a strong case that we have some of the lowest property taxes in the nation, though obviously it depends on which city or county you live in. He also says that most of the burden is on businesses versus residential owners.

Now enter Proposition HH, the referendum we'll be voting on in November. On the surface, it's appealing because it's designed to reduce the growth of property taxes by lowering the assessment rate. But as the Wall Street Journal characterized it, it's a ["back door tax hike"](#) because it increases the amount the state can spend by 25% per year. This is the latest attempt by our legislature to do an end run around or dilute the power of the Taxpayer Bill of Rights (TABOR) that Coloradoans passed in 1992 and, many argue, has kept Colorado as one of the most fiscally sound states. The simple discipline of a spending cap, adjusted for inflation and population growth, has been the envy of taxpayers, property owners and businesses across the country for 30 years, though it continues to be attacked. It would be one thing if our representatives just came out and advocated for Coloradoans to repeal TABOR, but they continue to cynically put forth what they think will appeal to voters' short-term thinking, while attempting to do away with this important check on spending.

Jenn's Jangle: Transition Updates & Wrinkles

As we continue to work through the transition with you, it's been mostly pretty smooth, but we have come across some complications in being able to serve you. We can only update your email address and no longer do updates for any other contact information. As always, there's two sides to the story: on one hand, Schwab is trying to protect you by having you directly make any changes to your physical address, etc. On the other hand, they are trying to get you to use their portal more – this, as we've seen over the years, is a move more and more companies make to increase their efficiency/profitability and control.

If you are a Schwab Alliance User, you can update everything yourself in the online portal. If you cannot access Schwab Alliance due to a failure to update your information, ALTIUS can provide you with a form to correct this or you can call the support line 800-515-2157 and verbally update information with your Charles Schwab account(s). We are in communication with Schwab discussing some of these new hurdles for you and possible alternatives as they do indicate that some policies may change and that they are learning from the TD advisors/service groups. Also, this policy does not affect the ALTIUS portal, we can still update that information for you. We appreciate your patience as we work through some of these changes.

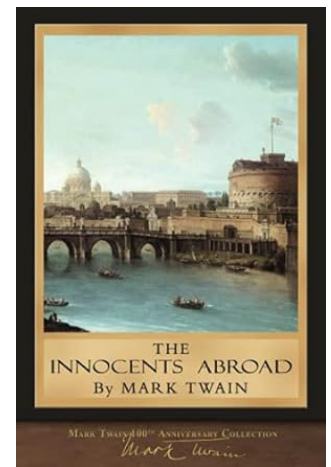
If you had a TD Ameritrade (TDA) Account that transitioned to Schwab over Labor Day weekend, please be aware you will receive two account statements for the month of September 2023. One from TDA – likely showing a \$0 balance because the positions and cash have moved to Schwab. And one from Schwab – displaying the full balance of the converted account(s).

Schwab will align the timing of the two statements together. Schwab statements cut off on the 5th business day of the month. If you receive statements by eDelivery, you will receive an email notification from TD Ameritrade and Schwab at about the same time that your statements are available.

Book Recommendation: The Innocents Abroad

For anyone who enjoys wit and irreverence, Mark Twain's "Innocents Abroad" is must-read. A friend recommended it before I went to Israel this past spring, knowing I would relate to the book. I'd not finished it before I left but it's worth it, especially for anyone who likes exploring other cultures, art, food or just people watching. Twain, travels to Europe and the Holy Land, making his distinctive humorous observations along the way.

The book isn't just a travelogue; it's also a commentary about the clash between supposed 'New World' naivety verses 'Old World' complexity and sophistication. For those of us navigating the uncertain seas of investing, Twain's humor serves as a reminder of the often unpredictability of life and the markets. His funny quote on investing, the key word of which is "speculate" (as opposed to invest) was from later in his life but it's still a good reminder, like this book, to remain watchful, humble and nimble as much as possible.



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