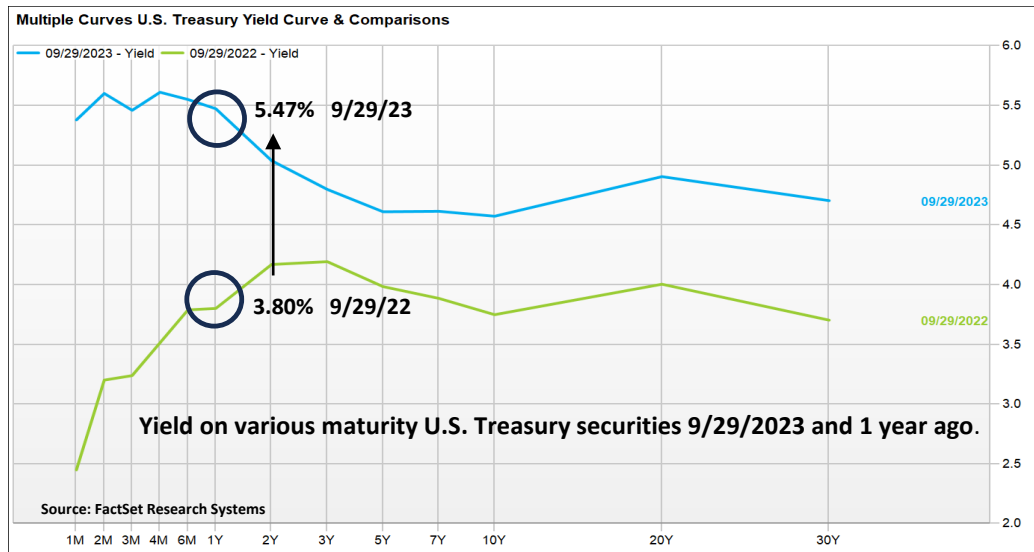


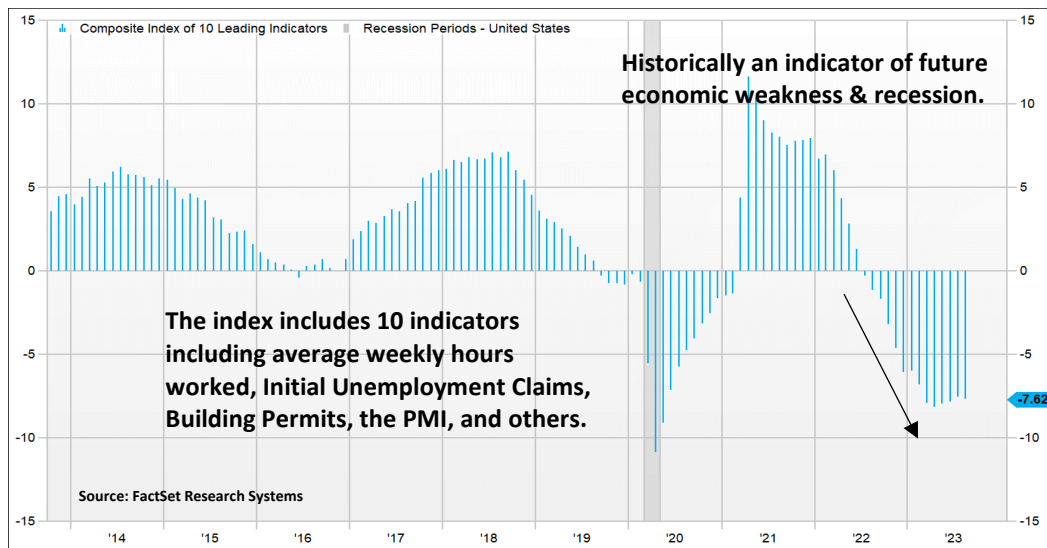
Financial Market Positives & Concerns - Update

Concerns:

Elevated Interest Rates Can Slow the Economy



U.S. Leading Economic Indicators - Negative



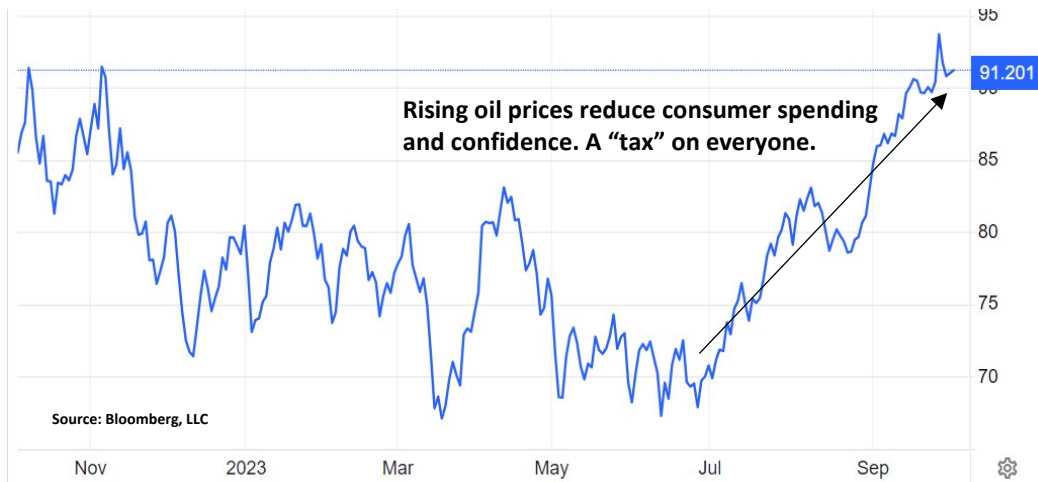
Increasing U.S. \$ Value



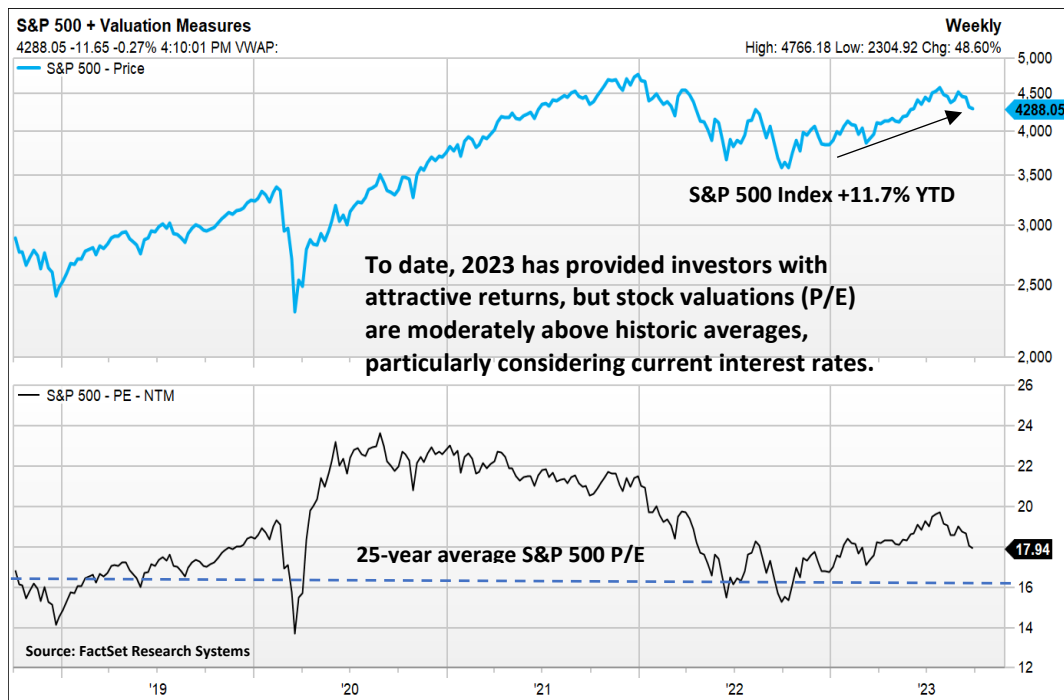
Financial Market Positives & Concerns - Update

Concerns:

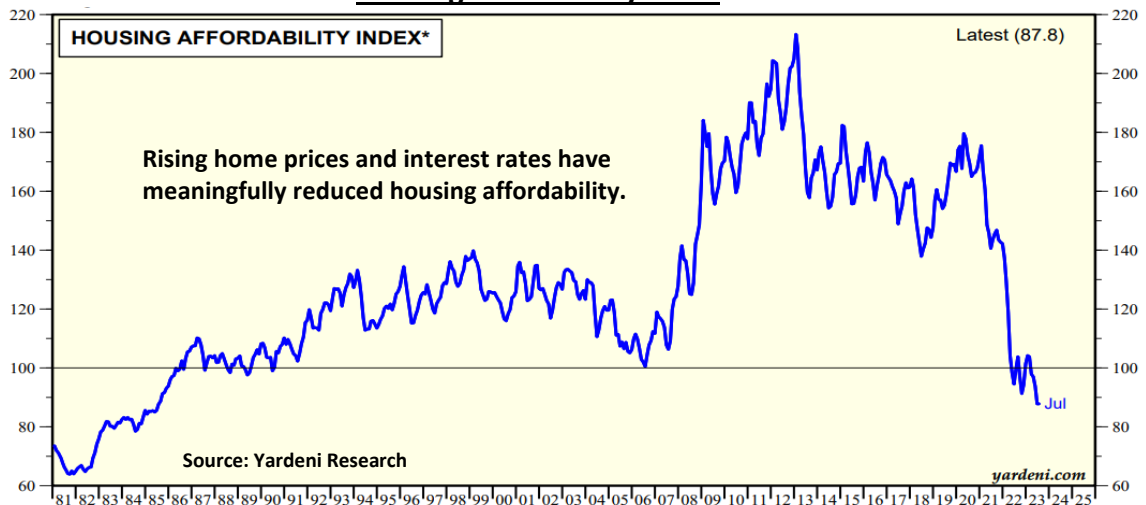
Rising Oil Prices



Equity Market (S&P) Valuation



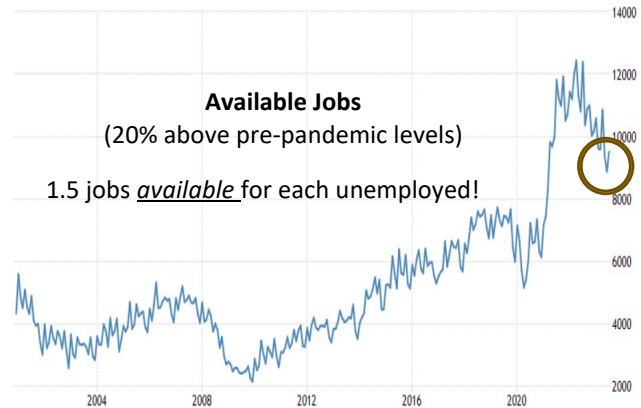
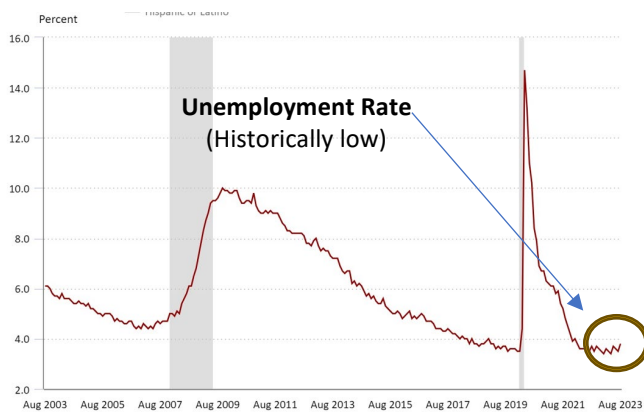
Housing Affordability Index



Positives:

Strong U.S. Labor Market

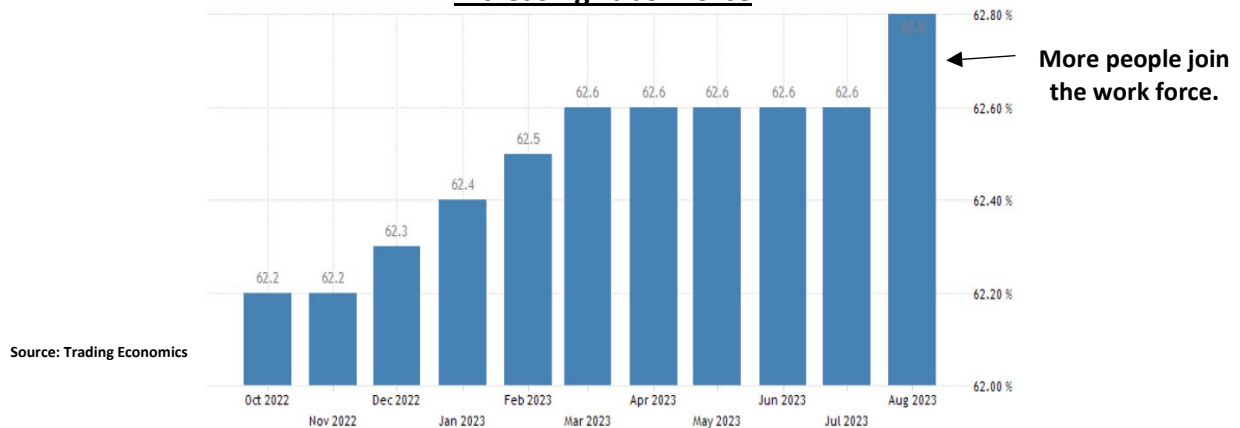
Despite high interest rates, that normally “cool” the economy and lead to higher unemployment, the labor market remains strong.



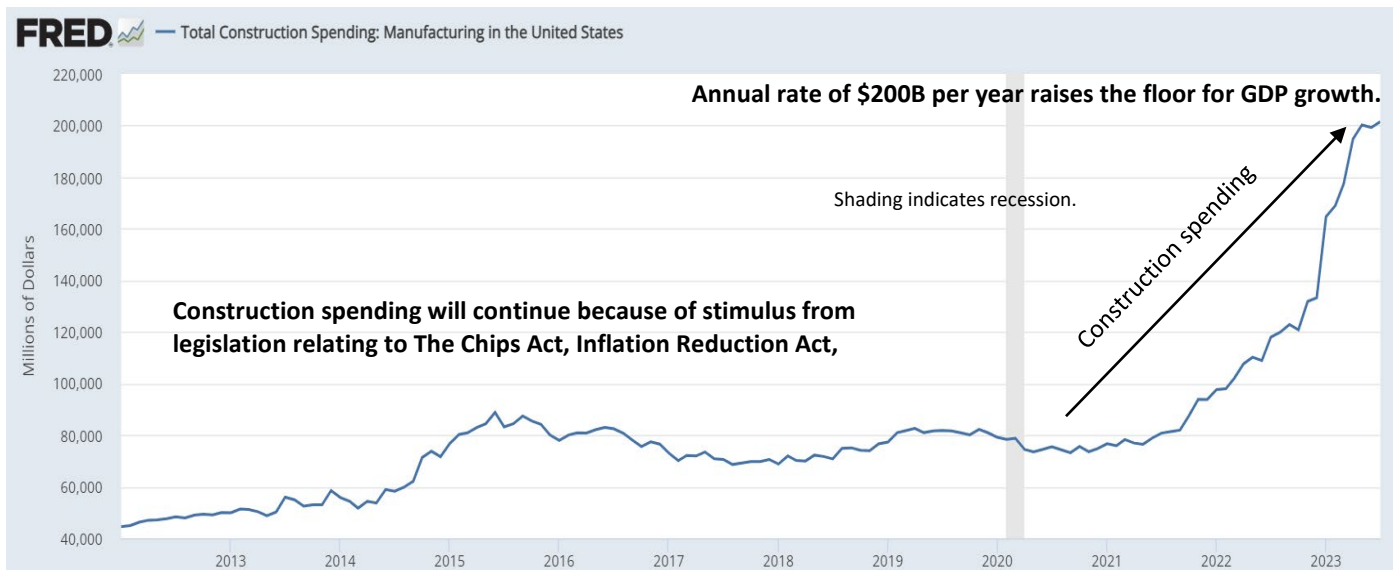
1.5 jobs available for each unemployed!

Source both charts: Bureau of Labor Statistics

Increasing Labor Force



Spending on Infrastructure

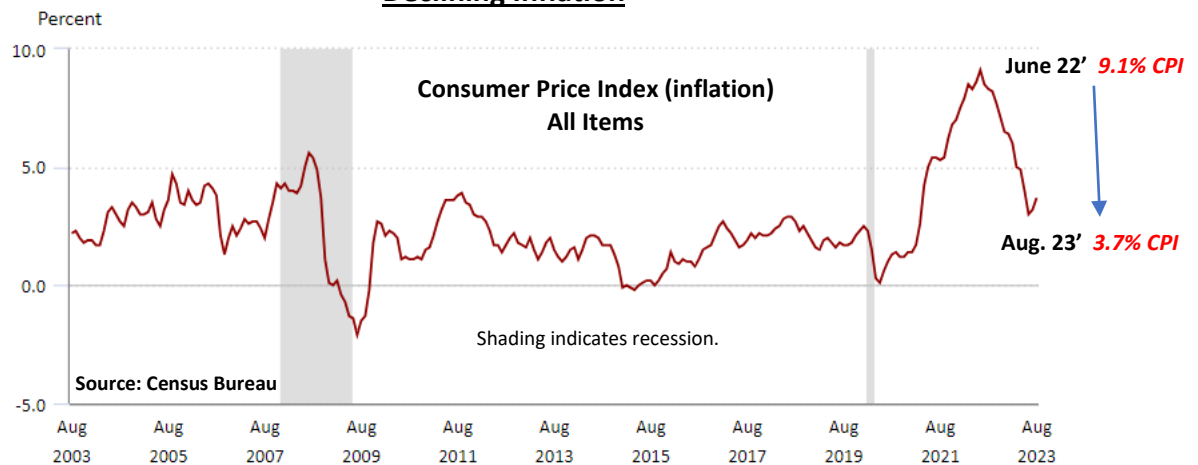


Source: Federal Reserve Bank of St. Louis

Financial Market Positives & Concerns - Update

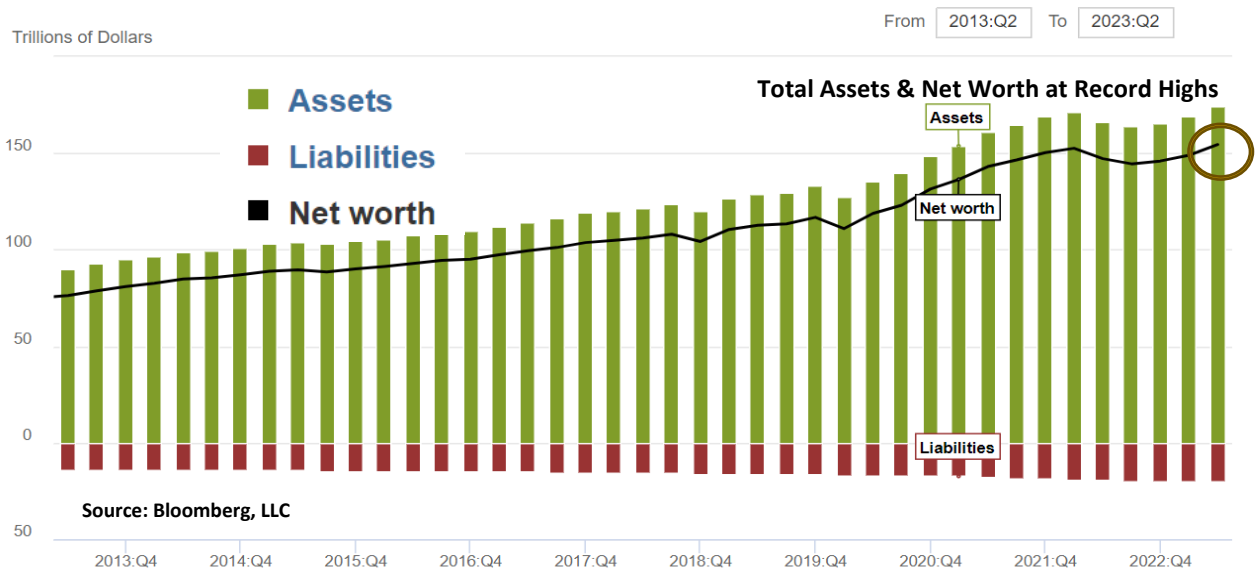
Positives:

Declining Inflation



On Sept. 29th, the Bureau of Economic Research released the Federal Reserve's favored indicator of inflation i.e., the Core Personal Consumption Expense (PCE) index which indicated an annual rate of 3.9%. This rate was the first time the annual rate was below 4.0% since June 2021.

Household Financial Strength



% of Income Required to Service Household Debt



Positives:

S&P 500 Earnings Per Share Continue to Grow

EPS Estimates Are Up 8.4% This Year, Reversing 2022 Declines



Source: Bespoke Research

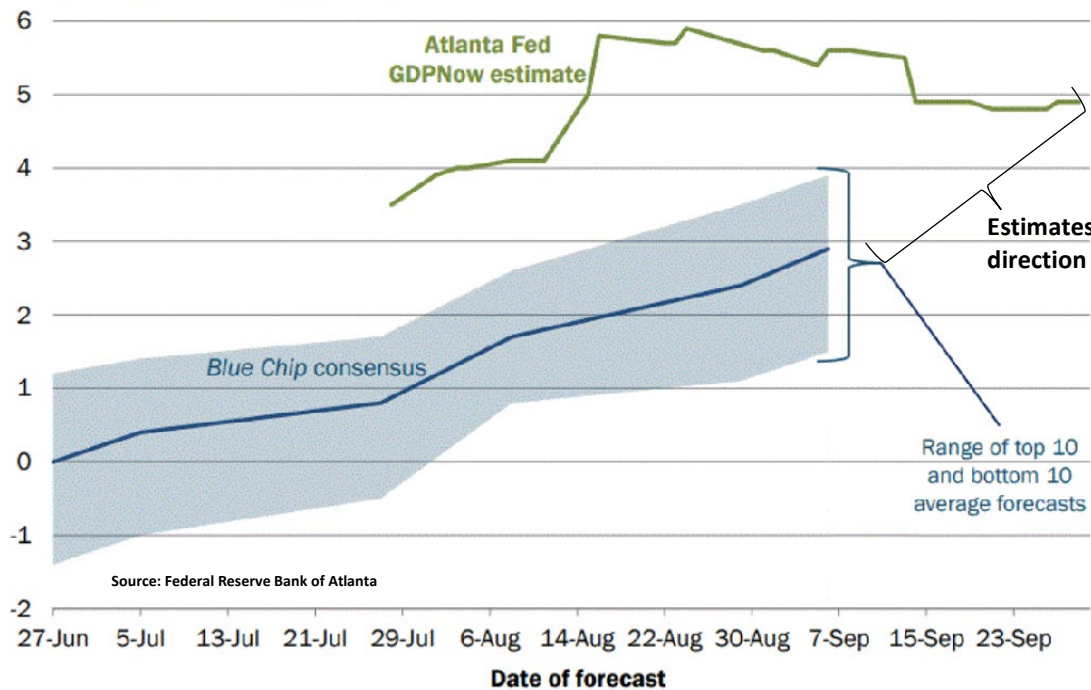
An indicator of economic strength.

Higher EPS and lower stock prices lead to more reasonable valuations.

U.S. GDP (economic strength) Continues to Grow

Evolution of Atlanta Fed GDPNow real GDP estimate for 2023: Q3

Quarterly percent change (SAAR)



Source: Federal Reserve Bank of Atlanta

Conclusion:

The current economic and financial market environment is murky, volatile, and subject to a wide variety of interpretations. High interest rates, rising oil prices, tightening credit conditions and the lingering impact of high inflation keeps our enthusiasm muted and our minds vigilant. Recent labor strikes and the squabbles over the U.S. budget have created additional uncertainties.

However, as previously mentioned, we remain cautiously optimistic that the Fed will accomplish the challenging goal of an economic “soft landing” and inflation will return to more historic moderate. This is not an easy task and will not be without investor angst.

As displayed in the charts above, recent positive trends of a strong labor market, declining inflation, rising corporate earnings estimates, improving trends in manufacturing and productivity, and a dramatic increase in construction spending support our present outlook.

The decline in the equity (S&P 500) market of approximately 4.0% during the third quarter, combined with increasing estimates of corporate earnings growth, has brought stock valuations back from extended valuations and provide an opportunity to be opportunistic if actions are warranted.

With respect to the fixed income portion of client portfolios, the strategy remains one of maintaining the highest percentage of fixed income investments in short maturity, very high-quality U.S. Treasury securities.

Bottom line? Stay the current course and maintain a reasonable investment time horizon. We believe the long-term trends of onshoring, AI technology innovations, improved energy security and transmission can lead to further job and income growth e.g., important economic engines. Global regionalization, geopolitical pressures, aging populations, and the cost of pursuing the longer-term objectives may require intense scrutiny.

As always, after you have reviewed the information presented, if you have any questions, concerns or would like to discuss any of the above information, please do not hesitate to contact me. I look forward to meeting with you again soon.

There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.

Diversification and asset allocation do not protect against market risk. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield.

The opinions voiced in this material are for general information only and not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. Investing involves risk including loss of principal.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

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