Market Commentary

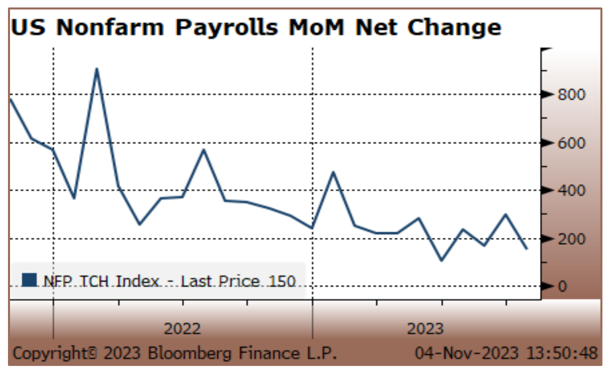
November 2023

Executive Summary:

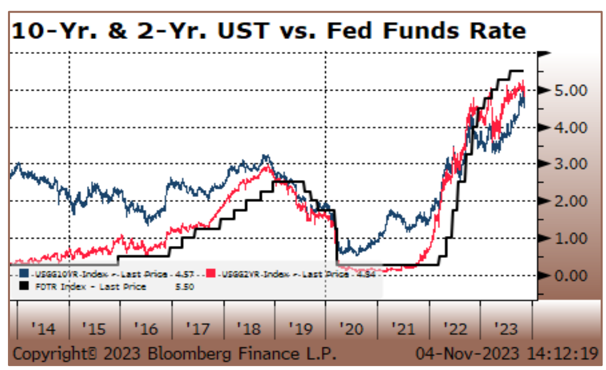
- Weaker economic data in October increased speculation the Fed is done hiking rates.
- A "not too hot, not too cold" economic backdrop could be bullish for equities. We believe near-term corporate profits and mega-cap valuations remain a concern.
- The Fed seems prepared for a long pause, and this may signal the end of the bear market in bonds.

The stock market is off to a great start in November, and equity investors hope the rally will continue through year end. Before last week's rebound, the major indices posted three consecutive months of negative total returns, due primarily to uncertainty about the Federal Reserve's resolve to keep interest rates higher for longer and potentially hike them again. Odd as it may seem, investors were interpreting stronger-than-expected economic data as bad news to some degree because it might influence the Fed to maintain its tight monetary policy for too long and push the U.S. economy into recession.

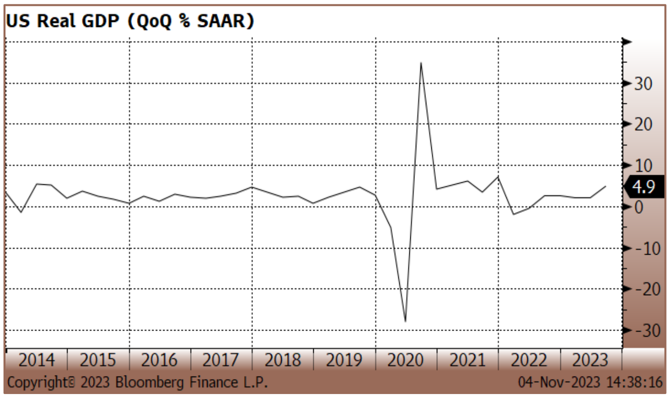
However, weaker economic data in October has increased speculation the Fed is done hiking rates. U.S. payrolls slowed considerably, adding just 150,000 jobs, after having been revised downward from prior months, and both ISM Manufacturing and ISM Services declined sharply from September's report. Wage growth and unemployment, too, are signaling that the U.S. economy is slowing. While Q3 real GDP was up 4.9% from the same quarter a year ago, the Atlanta Fed's expectation for Q4/Q4 is a more moderate 1.2% annual rate.

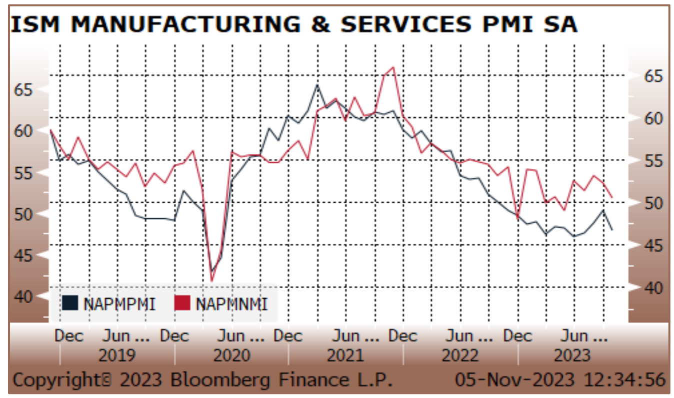


A "not too hot, not too cold" backdrop could be bullish for equities, but we believe there are still downside risks related to Corporate America's profit outlook. Companies must contend with higher costs of capital, and this affects their ability to grow earnings, expand the business and repurchase shares. Large cap growth stocks solidly outperformed SMID and EM YTD, but the mega-cap companies that dominate the S&P 500 appear expensive from a valuation perspective.



Bond benchmarks are in danger of finishing a third straight year of negative returns, which would be unprecedented. Yet, the bear market in bonds may be coming to an end. The Fed seems prepared for a long pause, and U.S. Treasury yields have stabilized between 4.5% - 5.0%. If inflation proves to be less problematic, the Fed can resume a dual mandate—focusing on both inflation and full employment. The financial markets currently predict their next move will be a rate cut possibly as early as June 2024. Bonds could quickly reclaim their position in portfolios as a viable asset class that provides a source of income and reduces downside risk.





SECTORS	2022	YTD	EQUITY INDICES	2022	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	-39.89%	43.65%	S&P 500 INDEX	-18.13%	15.04%	WTI CRUDE FUTURE Dec23	80.51	4.14%
S&P 500 CONS DISCRET IDX	-37.03%	27.12%	DOW JONES INDUS. AVG	-6.86%	4.54%	BRENT CRUDE FUTR Jan24	84.89	4.56%
S&P 500 CONS STAPLES IDX	-0.62%	-4.67%	NASDAQ COMPOSITE	-32.51%	29.65%	NATURAL GAS FUTR Dec23	3.52	-27.93%
S&P 500 ENERGY INDEX	65.43%	1.38%	S&P 400 MIDCAP INDEX	-13.10%	3.36%	LME COPPER 3MO ($)	8,175.50	-2.35%
S&P 500 FINANCIALS INDEX	-10.57%	0.21%	RUSSELL 1000 GROWTH INDX	-29.14%	28.57%	Gold Spot $/Oz	1,992.65	9.25%
S&P 500 HEALTH CARE IDX	-1.95%	-5.06%	RUSSELL 1000 VALUE INDEX	-7.56%	1.78%	Silver Spot $/Oz	23.21	-3.09%
S&P 500 INDUSTRIALS IDX	-5.51%	4.74%	RUSSELL MIDCAP RT INDEX	-17.33%	3.55%	Euro Spot	1.07	0.24%
S&P 500 INFO TECH INDEX	-28.19%	41.43%	RUSSELL 2000 INDEX	-20.46%	1.20%	British Pound Spot	1.24	2.46%
S&P 500 MATERIALS INDEX	-12.28%	2.92%	MSCI ACWI ex US	-16.00%	5.30%	Japanese Yen Spot	149.39	-12.23%
S&P 500 REAL ESTATE IDX	-26.21%	-2.56%	MSCI EAFE	-13.91%	7.74%	DOLLAR INDEX SPOT	105.02	1.45%
S&P 500 UTILITIES INDEX	1.56%	-10.14%	MSCI EM	-19.81%	1.72%			

Source: Bloomberg As of: 11/4/2023

Bloomberg Barclays Bond Indices	2021	2022	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	-1.54%	-13.01%	-0.53%	6.23	8.56	5.30%	Effective Fed Funds	5.33%
Intermediate	-1.44%	-8.23%	1.49%	3.93	4.32	5.09%	2-yr Treasury	4.84%
Global Agg ex USD	-7.05%	-18.70%	-1.98%	7.04	8.52	3.13%	10-yr Treasury	4.57%
Inv Grade Corporate	-1.04%	-15.76%	0.56%	6.98	10.58	6.00%	10-yr German Bund	2.64%
U.S. Corporate High Yield	5.28%	-11.19%	7.20%	3.93	4.90	8.83%	Prime Rate	8.50%
Tax Exempt								
Muni 1-10 Yr Blend (1-12)	0.54%	-4.84%	0.01%	3.90	6.10	3.80%		

Source: Bloomberg As of: 11/4/2023