



Last year, at this time, I wrote you and stated that September is widely known to have the worst seasonal headwinds for the U.S. equity market, meaning returns in September have been the weakest on average of any month in the year. In fact, since 1945, the SP500 has dropped 0.7% on average during September according to CFRA Research. This past September was no exception as the SP500 slid (4.9)%. They do say, September is a month for picking apples, not stocks!

After Labor Day, we anxiously awaited Fed Chair Powell's rate announcement and presser. The announcement was well telegraphed as the rate hike pause was delivered. The presser was interesting, and markets began to unravel as Powell stated higher rates for longer would be the likely path for Fed policy. Powell was asked by one of the presser reporters: "Would you call the soft landing now a baseline expectation?" Powell responded saying: "No, no. I would not do that." He added that while a soft landing would be a desired outcome, it would be decided by external factors that are outside our control at the end of the day.

So, Powell was asked, what are the external factors? He added, "There is a long list, it's the strike, it's government shutdown, resumption of student loan payments, higher long-term rates, oil price shock. And ultimately, though, there's so much uncertainty around these things." This gave the market a fair amount of angst as the spire of uncertainty continued to reach new heights. Of course, a strike settlement (which is not too inflationary) and a reasonable budget resolution would eliminate a great deal of uncertainty, help stabilize the markets, and give the Fed a better perspective on how high and for how long.

While *reasonable* and swift budget/strike resolutions would be ideal, negative risks may metastasize and help the Fed reach its 2% inflation target. In a recent interview, Minneapolis Fed President Neel Kashkari stated that: "a government shutdown, or a protracted auto strike on top of student loan repayment restarting could hurt the economy enough to alleviate the need for further tightening. "If these downside scenarios hit the US economy, we might then have to do less with our monetary policy to bring inflation back down to 2%, because the government shutdown or the auto strike may slow the economy for us." Yes, this may help achieve the Fed inflation goal but may create significant political turmoil in its wake.

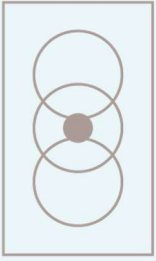


Here is your look at developments in the global marketplace.



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- A collage featuring a US dollar bill, a candlestick chart, and various financial data points. The background is a close-up of a US dollar bill, showing the portrait of George Washington. Overlaid on the bill is a candlestick chart with green and red bars, indicating price movements. Several numerical values are scattered across the image, including 16.9, 19.0, 30.2, 18.7, 37.449, 16.9, 13.4, 35.759, 16.8, 30.402, 1.9, 79.7, 12.69, 36.7, 17.3, 30.402, 12.9, 3.672, 50.8, 40.1, 3.985, 12.094, 75.2, and 1.9. The overall theme is financial markets and currency.





NEUTRAL DEVELOPMENTS

- Oil prices are boosting inflation once again, and rising health insurance rates will keep inflation elevated later this year. In addition, *real* GDP growth looks robust in Q3. The combo of high inflation (bad) and solid economic growth (good) is not a recipe for an extended pause by the Fed, at least not yet.
- “Home sales have been stable for several months, neither rising nor falling in any meaningful way,” according to Lawrence Yun, NAR’s chief economist. He added, “Mortgage rate changes will have a big impact over the short run, while job gains will have a steady, positive impact over the long run.
- It was a busy month for central banks around the world, as most major central banks kept rates unchanged while also sending hawkish, “higher for longer” or “more work to be done” messages.



NEGATIVE DEVELOPMENTS

- U.S. small business optimism slipped for the first time in 4 months. Current conditions weakened as sales drifted lower and the outlook has fallen according to the NFIB Index report.
- The rising Dollar is hitting earnings for U.S. firms doing business abroad. SP500 companies that derive more than half of their revenues outside the U.S. are on pace to log an 18% slide in 2Q earnings according to FactSet. By contrast, those companies with more than half their sales in the U.S. will likely see 4% earnings growth.
- A 30% increase in the price of oil since the end of June is concerning because it has resulted in an 8.2% increase in the retail price of gas. If the price of oil breaches \$100 per barrel and the price of gasoline rises solidly above \$4.00 a gallon and both remain above those levels for a while, they could trigger a renewed wage-price spiral and higher inflationary expectations.
- After a pause of more than 3 years, more than 43M federal student loan borrowers are preparing to make payments. Borrowers owe a collective \$1.6T nationwide, and nearly one in five student loan borrowers were behind on payments. This may have a negative impact on consumption activity.



THE MARKETS

The U.S. equity markets were generally weak this past month due to the various headwinds described earlier in this letter. From a sector perspective, energy stocks posted nice returns while the interest rate sensitive real estate and utility sectors struggled in September.

Across the pond, many European and Asian markets followed the U.S. pattern as inflation issues and rising energy prices have had their negative impacts. Japan remains a relative oasis in Asia as the Nikkei was modestly lower but remains up over 22% year-to-date.

The fixed income markets did not fare much better. September losses on Treasury securities mirror Q2 2022 where all three months showed negative returns in Bloomberg's benchmark Treasury index. Yields continue to climb as uncertainty around a government shutdown and Treasury issuances required to pay for future obligations.

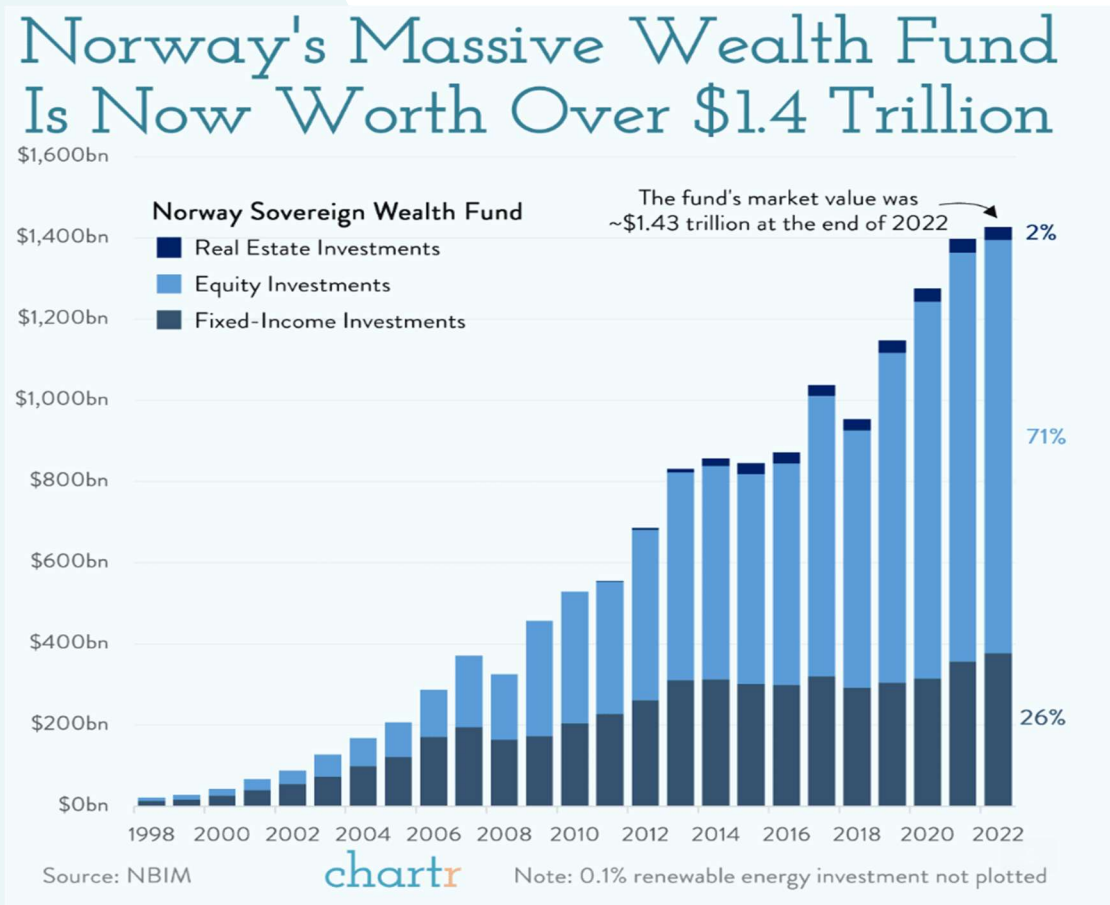


U.S Index	Last Month (% return)	YTD (%)
S&P 500	-4.9	11.7
Dow Jones	-3.9	1.1
NASDAQ Comp	-5.7	26.3
Russell 2000	-6.4	1.1

Source: <https://tradingeconomics.com/stocks>



Info-Graph of the Month: Norway's Wealth Fund



Source: <https://www.chartr.co/>

Norway's decision to channel oil revenue into a sovereign wealth fund has proven to be a huge success story. In 1963, Norway's government declared sovereignty over the Norwegian Continental Shelf, an area rich in oil resources that had previously been overlooked. Norway struck liquid gold, and of course, this type of discovery prompted the country to shift its focus toward ensuring fiscal stability and potential challenges such as fluctuating petroleum prices or depleting future reserves.

In 1990, Norway established the Government Petroleum Fund, which was later renamed the Government Pension Fund of Norway. By 1998, the fund had accumulated \$23 billion and strategically allocated its capital leading to remarkable growth. At the end of 2022, the Fund was worth \$1.43 trillion, of which, \$1.02 trillion was in stock market investments. This included roughly 9,000 publicly listed companies in 70 countries and roughly 1.5% of the global stock market.

The Pension Fund is broadly diversified across countries, asset classes and sectors. Surprisingly, only a mere 4% of the fund's holdings are allocated towards energy stocks, most likely due to their existing exposure in energy, but also, their environmental and carbon emission policies. In fact, Norway stands out globally as a leader in green initiatives, including electric vehicle adoption, all while being backed by oil revenues.

<https://www.nbim.no/en/the-fund/about-the-fund/>



NEWS YOU CAN USE

Anguilla, a small British territory in the Caribbean with a population of 16,000, now makes around \$3 million per month from their unique internet domain suffix .ai. Due to the AI boom, registrations for .ai names were up 159% in May 2023 from the year prior, while .com domains were up just 27%.

<https://www.axios.com/2023/05/31/ai-domain-names>

On September 25th, the governing body of USA Pickleball announced a new initiative to make the game quieter. Pickleball was created in the 1960's but picked up steam during COVID. Last year there were 36 million people that played the sport, which is up 158% in three years. However, the pop pop pop noise has led to neighborhood fights, lawsuits and 911 calls. USA Pickleball plans to unveil a new "quiet category" soon.

<https://www.cnn.com/2023/09/25/pickleball-noise-remedies-in-the-works.html>

Engineers in Australia have said they have found a way to use roasted coffee beans to produce 30% stronger concrete. Essentially, there is a way to convert waste coffee grounds into biochar, a lightweight residue similar to charcoal, which could be used to replace sand required to make concrete.

<https://www.theguardian.com/science/2023/aug/23/full-of-beans-scientists-use-processed-coffee-grounds-to-make-stronger-concrete>

As always, if I can be of additional guidance, please feel free to call me at 312.485.6847.

Best regards,



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Note to readers: Investing involves risk; including risk of loss. Before investing, you should consider the investment objectives, risks, charges and expenses associated with investment products. Investment decisions should be based on an individual's own goals, time horizon, liquidity needs and tolerance for risk. Past performance is no guarantee of future results. Diversification and asset allocation do not insure a profit or guarantee against loss. Consult your financial professional before making any investments.

