

PERFORMA



Q3 2023

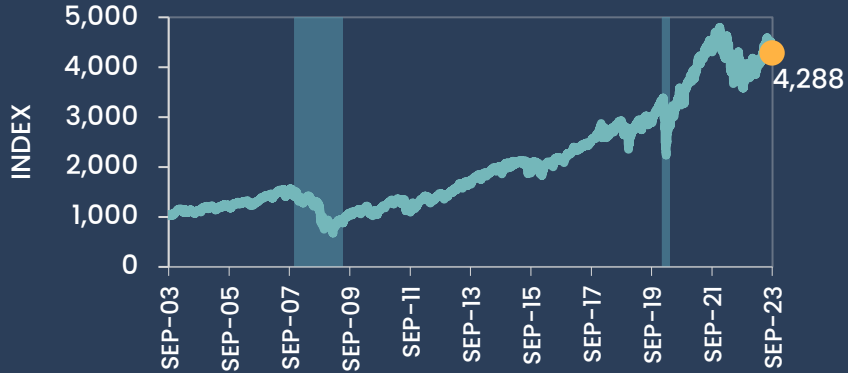
QUARTERLY MARKET UPDATE



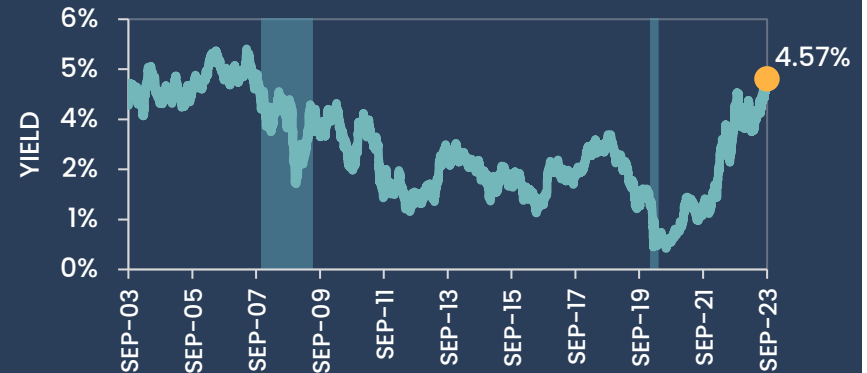
QUARTERLY MARKET UPDATE

MARKET PERFORMANCE | 20 YEARS THROUGH Q3 2023

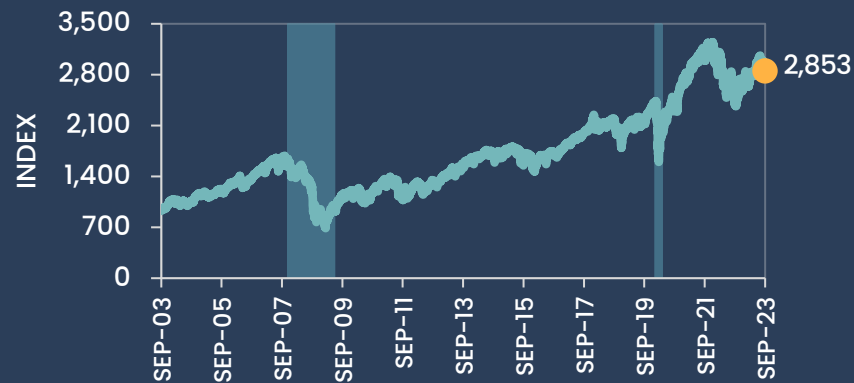
U.S. EQUITIES | S&P 500



RATES | 10-YR U.S. TREASURIES



GLOBAL EQUITIES | MSCI WORLD



Q3 MARKET PERFORMANCE

- THE S&P 500 WAS DOWN -3.27% FOR THE QUARTER BUT IS UP 21.62% FOR THE TRAILING YEAR.
- THE YIELD ON 10-YR U.S. TREASURIES INCREASED 73 BPS DURING THE QUARTER AND IS UP 74 BPS FOR THE TRAILING YEAR.
- THE MSCI WORLD INDEX WAS DOWN -3.36% FOR THE QUARTER BUT IS UP 22.60% FOR THE TRAILING YEAR.

 = RECESSION

QUARTERLY MARKET UPDATE

MARKET PERFORMANCE | Q3 2023

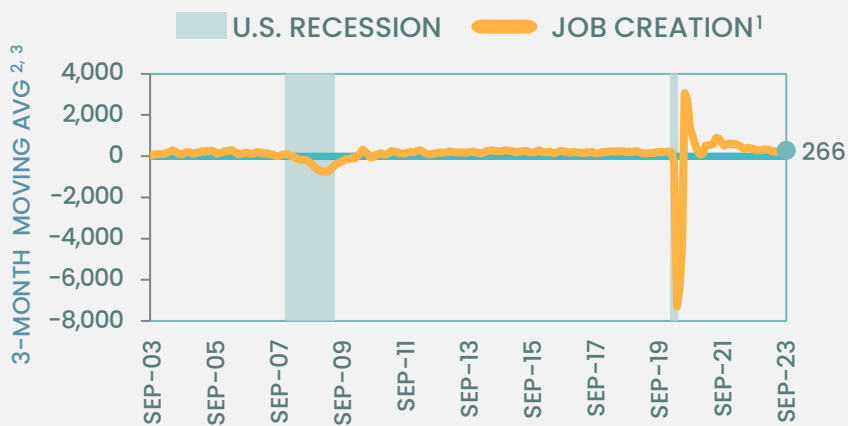
	MACRO			FIXED INCOME			EQUITY			
TIME PERIOD	US\$ ¹	10-YR U.S. TREASURY (BPS)	OIL ²	CASH ³	INTERMEDIATE GOV/CREDIT ⁴	HIGH YIELD ⁵	S&P 500	MSCI WORLD	RUSSELL 2000	RUSSELL 3000
QTD	3.17%	73	28.52%	1.32%	-0.83%	0.53%	-3.27%	-3.36%	-5.13%	-3.25%
TRAILING 1 YEAR	-5.30%	74	14.22%	4.60%	2.20%	10.21%	21.62%	22.60%	8.93%	20.46%

- OIL PRICES INCREASED BY A NOTABLE 28.52% DURING THE THIRD QUARTER AND ENERGY PRICES ONCE AGAIN CONTRIBUTED POSITIVELY TO INFLATION METRICS.
- THE FEDERAL RESERVE'S HIGHER FOR LONGER MESSAGING FINALLY TOOK HOLD DURING Q3 AS LONG END YIELDS SURGED AND THE YIELD CURVE STEEPENED.
- RISING YIELDS (FALLING BOND PRICES) SERVED AS A MEANINGFUL HEADWIND FOR FIXED INCOME RETURNS DURING Q3; HOWEVER, IN THE CASE OF HIGH YIELD, INCOME WAS MORE THAN ABLE TO OFFSET SIZABLE PRICE DECLINES AND MODEST SPREAD WIDENING.
- PRICE ACTION DURING THE THIRD QUARTER OF 2023 FELT AKIN TO WHAT WE EXPERIENCED IN 2022 WITH BOND MARKET SELLING/RISING YIELDS TRIGGERING A BROADER RISK OFF MOVE IN EQUITY MARKETS.

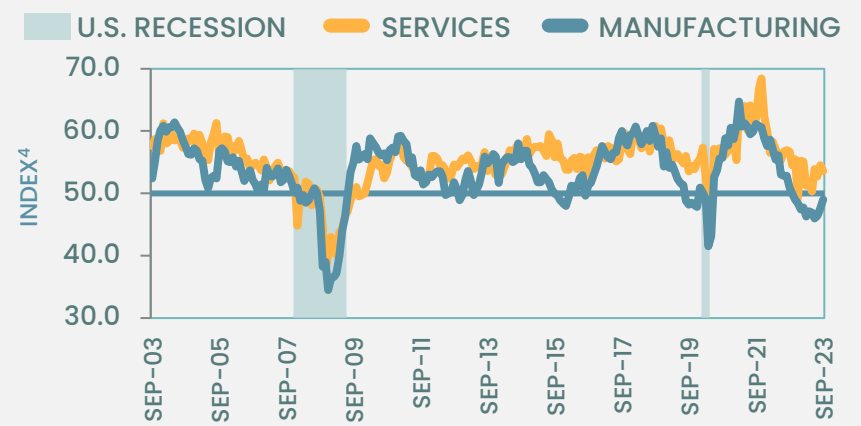
QUARTERLY MARKET UPDATE

ECONOMIC INDICATORS | 20 YEARS THROUGH Q3 2023

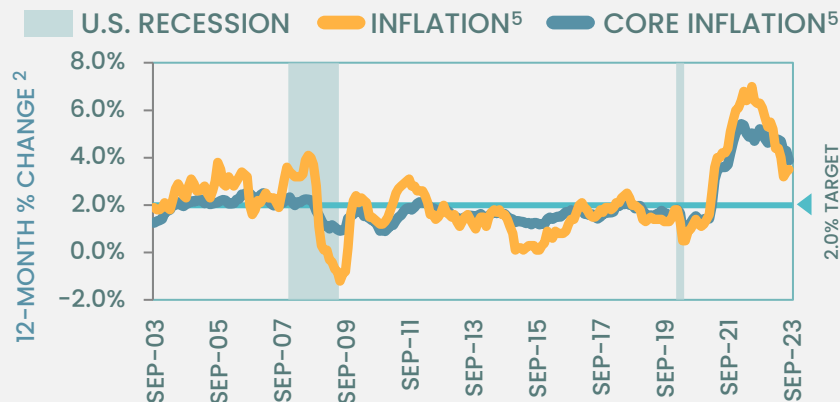
LABOR MARKET | JOB CREATION



ECONOMIC ACTIVITY | ISM SURVEYS



INFLATION



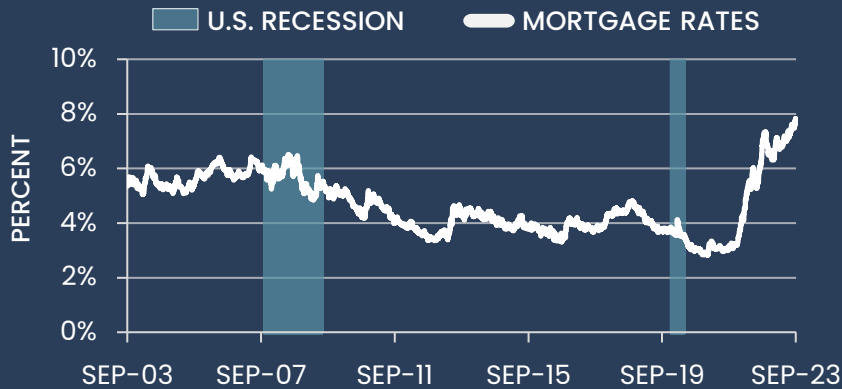
COMMENTS

- THE LABOR MARKET REMAINS QUITE HEALTHY. JOB CREATION ACCELERATED DURING THE QUARTER AND THE 3-MONTH MOVING AVERAGE INCREASED TO 266K IN SEPTEMBER, THE HIGHEST READING SINCE Q1.
- Q3 MANUFACTURING SECTOR DATA REMAINED IN CONTRACTIONARY TERRITORY WITH READINGS BELOW 50 IN ALL THREE MONTHS (LAST 11 MONTHS IN A ROW). MEANWHILE, SERVICE SECTOR DATA REMAINED IN EXPANSIONARY TERRITORY WITH READINGS ABOVE 50 THROUGHOUT Q3.
- HEADLINE AND CORE INFLATION METRICS HAVE IMPROVED MEANINGFULLY IN RECENT QUARTERS BUT REMAIN ABOVE THE FED'S 2% TARGET, SUGGESTING THE JOB ON INFLATION IS UNFINISHED.

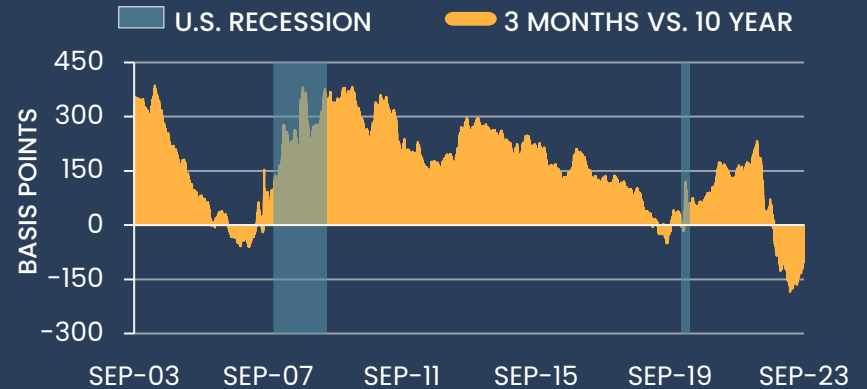
QUARTERLY MARKET UPDATE

SURGING RATES WEAVING CAUTIONARY MESSAGES

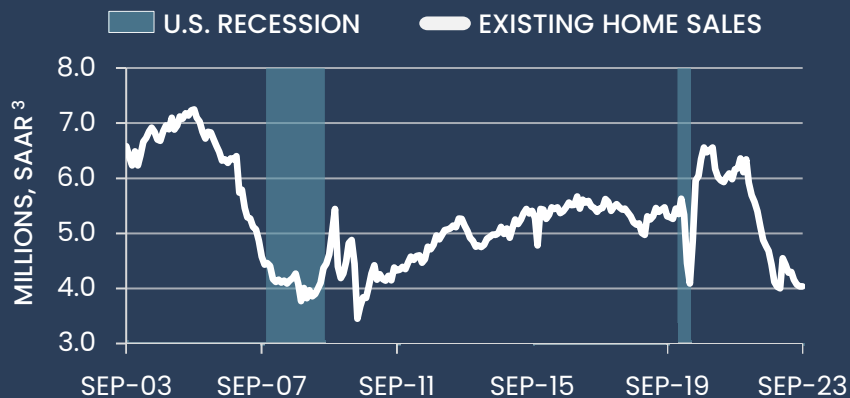
MORTGAGE RATES¹



3 MONTH BILLS & 10'S



EXISTING HOME SALES²



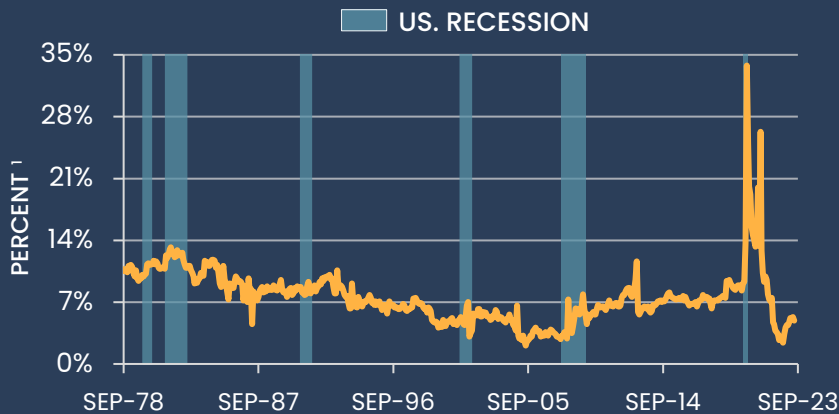
COMMENTS

- THE Q3 SURGE IN U.S. TREASURY YIELDS SENT THE NATIONAL AVERAGE FOR 30-YR FIXED RATE MORTGAGES TO LEVELS NOT SEEN SINCE 2000.
- THE RISE IN LONGER MATURITY U.S. TREASURY YIELDS WORKED TO STEEPEN THE TREASURY CURVE AS THE SPREAD BETWEEN 10-YR UST YIELDS AND 3-MONTH BILLS (A HISTORICALLY RELIABLE RECESSION INDICATOR) WENT FROM -145 BPS TO -87 BPS BY QUARTER END.
- ELEVATED MORTGAGE RATES COUPLED WITH HISTORICALLY LOW SUPPLY HAVE WEIGHED HEAVILY ON HOUSING ACTIVITY, WHICH WILL BE A HEADWIND FOR BROADER ECONOMIC GROWTH.

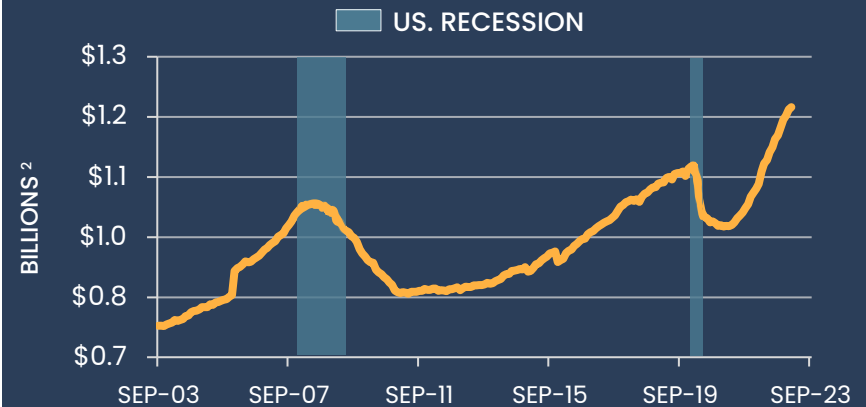
QUARTERLY MARKET UPDATE

U.S. CONSUMER | IT REMAINS A CHALLENGING ENVIRONMENT

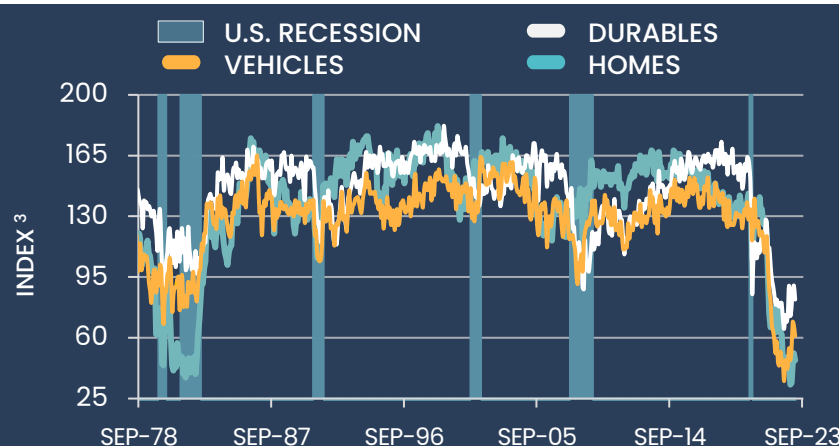
U.S. SAVING RATE



REVOLVING CONSUMER CREDIT



U. MICHIGAN BUYING CONDITIONS



COMMENTS

- REAL AVERAGE WEEKLY EARNINGS TURNED MODESTLY POSITIVE IN Q3 FOR THE FIRST TIME SINCE MARCH 2021 TO THE BENEFIT OF U.S. CONSUMERS.
- DESPITE THE IMPROVEMENT IN REAL WAGES, CONSUMERS CONTINUED TO RAMP UP CREDIT CARD DEBT DURING Q3 AND REPORT TERRIBLE BUYING CONDITIONS FOR HOMES, CARS AND HOUSEHOLD DURABLES.
- IT REMAINS A CHALLENGING ENVIRONMENT FOR CONSUMERS, SOME OF WHOM NOW FACE THE RESUMPTION OF STUDENT LOAN DEBT PAYMENTS AFTER A MULTIYEAR BREAK.

QUARTERLY MARKET UPDATE

KEY THEME SUMMARY | Q3 2023

1. THE FED

- THE FED HAS REPEATEDLY SAID THAT THEY EXPECT TO KEEP INTEREST RATES HIGHER FOR LONGER. THAT MESSAGE WAS FINALLY RECEIVED BY MARKETS DURING THE THIRD QUARTER.
- THE RESULT WAS A DRAMATIC SELLOFF IN LONGER DATED U.S. TREASURIES (10-YR YIELDS, WHICH JUMPED 73 BPS DURING Q3) AND A PULLBACK IN THE S&P 500 (WHICH FELL 3.27% FOR THE QUARTER).
- AT THEIR SEPTEMBER MEETING, THE FED STUCK WITH THEIR FORECAST FOR ONE ADDITIONAL 25 BPS RATE HIKE BY YEAR END, HOWEVER, MARKETS CURRENTLY DOUBT THAT WE'LL SEE ANOTHER RATE HIKE IN 2023.

2. U.S. LABOR MARKET STILL TIGHT

- THE U.S. LABOR MARKET REMAINS QUITE STRONG BY ANY HISTORICAL COMPARISON.
- JOB CREATION AVERAGED A ROBUST 266K DURING Q3, A MARKED INCREASE OVER THE SECOND QUARTER, WHILE PEOPLE FILING FOR UNEMPLOYMENT BENEFITS FELL TO A MINUSCULE ~200K ON A 4-WK MOVING AVERAGE BASIS.
- WHILE WAGES ARE RISING MORE SLOWLY AND JOB OPENINGS ARE OFF THE POST-PANDEMIC HIGHS, THE FED HAS HAD LITTLE SUCCESS IN MEANINGFULLY SOFTENING LABOR MARKET CONDITIONS THUS FAR.

3. HOUSING SECTOR

- THE SPIKE IN INTEREST RATES DURING Q3 SENT 30-YR MORTGAGE RATES TOWARDS 8%, WHICH WILL BE AN ADDED HEADWIND FOR THE HOUSING SECTOR.
- RESTRICTIVE MORTGAGE RATES AND LIMITED INVENTORY HAVE RESULTED IN EXISTING HOME SALES FALLING TO LEVELS THAT MATCH THE INITIAL COVID-19 PANDEMIC LOCKDOWN LOWS AND THE GLOBAL FINANCIAL CRISIS DOLDRUMS.
- WHILE HOUSING ACTIVITY HAS STRUGGLED, THE WEAKNESS HAS NOT YET EXTENDED TO HOUSE PRICES (WHICH REMAIN ELEVATED).

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