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Matt's Minutes: More debt ceiling talks?
Month End September 2023 "Closed Captions"
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Hi everyone and welcome to a September edition of Matt's Minutes for 2023. I hope that your fall is starting off exceedingly well. At least here in Michigan, we have had a great stretch of some sunny skies, blue skies, stars out and great great fall weather. So my hope is that that continues into October and I'm sure the same for all of you.

So I want to talk a little bit about the environment in the last month and really in the last quarter. And so what are some of the headlines we saw just to get a context of what's been happening in the last few months? So we basically had debt ceiling "hangover" is what I would call heading into July. You may recall June 30th was around the time of the debt ceiling and Congress came together and pushed largely the issue out to post-presidential election, so January of 2025. And that had to do with the debt ceiling. And then soon thereafter August 1st one of the ratings agencies Fitch came out and for the second time in history ever downgraded the US credit rating. But they really cited the reason for their downgrade was not necessarily worried about the US's ability to pay on our debt, but they noted political dysfunction as the reason or the risk for the US government. So, when you think about it that actually makes sense.

August and September were both negative months in kind of the broad markets when you think of the Dow Jones, the S&P 500, the NASDAQ, and then even if you look at the Bloomberg corporate bond index in the US. All of those benchmarks were negative for both August and September which led to a negative quarter from an overall performance. So that is not necessarily your exact portfolio but I want to make sure we kind of get a sense of what is the environment that we're operating within. And then what else is going on then what do we see or what do we look into into the fourth quarter and into the year ahead.

Right now unemployment, according to Y charts, is at 3.8%. From a historical perspective, that is a pretty low figure and generally gives us an idea that if you are interested in working, there is work available out there for you. The core inflation rate currently is about 4.35%, according to Y charts. What does that number mean? That's the number the Federal Reserve has been aggressively going after to try to help bring it, down because it really hurts consumers. You and I are pocketbooks when things cost more. So last year when they aggressively kept raising the short-term rate which the Federal Reserve controls. That created what I call a hurricane inside of both the Financial stock and bond markets and that made for a really rough 2022. And so coming into 2023, there was still some concern about is inflation going to keep escalating and are we going to go back to a period like maybe the 1980s when it was real high? Or is it going to stabilize and start to come down some? So inflation is still here, but we're not seeing it

escalate up into the 6, 7, 8, 9% range, which is a good measure or a good outcome by any measuring stick. So that led to the Federal Reserve in September when they had their meeting to basically keep the short-term rate flat. And so that was certainly a welcome sign - doesn't mean that they're going to be lowering at any time soon and in fact they may keep it at these levels through the fourth quarter and possibly into 2023.

All of that to say, when you look through the last quarter and through the last maybe six to nine months, there's been a lot of issues, there's been a lot of risk; however, U.S. businesses continue to innovate. And if I put some context to this and you look at corporate earnings, and maybe we put a fictitious scale of one to five and maybe one is considered awful and five is considered outstanding, there probably wasn't a lot of awful and there wasn't a lot of outstanding when it comes to corporate earnings. And so that basically leads us to believe that economically at least the sky is not falling. And so, there is certainly reason to look ahead with some cautious optimism, and maybe there is some optimism (according to Bank of America research) that suggests as we head into the fourth quarter and maybe the next year that we can expand or broaden the depth of a little bit of market growth. So it's not so concentrated on one sector such as technology, trying to recover from 2022.

All that to say, when it comes to your individual portfolios it is still really, really important for us to manage towards your risk tolerance, your comfort level, and within your own retirement income plan or asset plan that we've created with you. If you have any questions, you're always welcome to reach out to questions@richmondbrothers.com or give us a call 517-435-4040. And in the meantime, my goal here and our goal, is to help educate, inform, and guide you, no matter what is going on in the financial world. And I've got lots of comments about this guy so Parker you want to say hi? Well, I think he's bored of the government shutdown of the debt ceiling talks still and maybe we should be too. All right, that was Parker, and I am Matt Curfman from Richmond Brothers signing out for this month of Matt's minutes. Thank you for tuning in!

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Sources:

Research Reports

YCharts

[Bank of America raises year-end S&P 500 price target](#)

<https://www.washingtonpost.com/business/2023/08/01/downgrade-federal-government-fitch-debt-ceiling/>

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