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Letter from Dan

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Since my last Letter, the stock market has fallen and interest rates have risen higher. Let's look into what is happening and what to watch for as we close out the year.

Inflation seems to be levelling off, giving the Fed reason to pause or even stop raising interest rates. This would be great news for the stock market, which is nervous that the country will slip into a recession. Consumers are still stable which is a real positive. Oil production in the world has increased, lowering our gas prices here. This all helps to create a more positive outlook for the economy. The stock market is responding, with a nice recovery over the last few weeks. When there is a lack of news, it seems that the stock market drifts higher.

Lack of news? What about Israel and Hamas? Ukraine? Washington politics? Upcoming government shutdown? China? These topics are real and important but are not the issues the markets are watching. Risks are certainly out there but moderating inflation and stable interest rates seem to hold investors' attention at the moment.

The bond market has been on the move. The 10 Year Treasury bond rate had been hovering in the low 4% range and suddenly spiked up to 5%. It did drop again and now is about 4.6%. What is causing all of the big swings? The bond market is really just a big auction, where buyers meet sellers to determine the price. When the government needs an influx of money (think the deficit) the Treasury will offer new bonds and the supply shoots up, often causing interest rates to go up to entice buyers to buy. That is what happened this time when the Treasury announced an increase of new issues for the government. The announcement caused investors to be nervous about the return of inflation and yields jumped. When Treasury officials announced that they changed their minds and would not raise supply as much, interest rates fell. Not broadcast in the nightly news, but a fairly simple exercise.

A Federal government shutdown has been averted for now. However, the next possible shutdown date is January 19, 2024, and another on February 2, 2024. Hopefully Congress can get their work done to set us moving in a good path.

We feel that the stock market will most likely continue its upward movement to the end of the year. Not a huge surge, but history usually has November and December being positive months. 2024 will bring its own challenges and opportunities- I wish to take this time of thanksgiving to wish you a very heartfelt thank you and to wish you a very Happy Holiday season!

Dan



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