The US economy remains strong with current Consumer Confidence measuring 68.9 versus 67.8 at the same time last year. Spending remains healthy although modestly diminished from the prior quarter. Additional economic indicators are also reflecting strength with the business activity index increasing from 53.3 to 59.9 and supplier deliveries rising to 52.1 from 49.8 on a month-over-month basis. Readings above 50 for both indicate growth and those below 50 indicate contraction. Real (inflation adjusted) incomes are 3.1% higher in 2024 than they were in 2023 contributing to consumers savings at 4.8%.

The unemployment rate has increased from 3.7% at the beginning of the year to 4.1% currently. This measure is, however, still considered by economists to be in the range of full employment. Inflation continues to improve and is currently at 2.4%. Based upon improvement in the of inflation rate, the Federal Reserve reduced the Fed funds interest rate at their September meeting by 0.5% to 4.75-5.0%. The half point reduction was a modest surprise to most economists who were expecting a more traditional one quarter point reduction to start the easing cycle. The decrease in the fed funds rate was the catalyst for the yield curve to re-vert in the last quarter. An inverted yield curve is traditionally viewed as an indicator of the potential for recession. It appears likely that the Fed will make two additional 0.25% reductions in the Fed funds rate by year end.

Two major pillars of the US economy: housing and autos continue in soft markets. Housing continues to struggle with mortgage rates still viewed by consumers as high, although they have improved moderately with the initiation of the Fed's easing. Supply of homes for sale, remains tight relative to demand. Auto sales are expected to be up in 2024 to 15.7 million units versus last year's 15.5 million, a 1.3%increase. This remains well below the five-year average of 17+ million units sold prior to COVID. The average cost of new cars has increased from $34,600 in 2019 to $44,467 currently, which is having a chilling effect on car sales.

With less than one month to go before the election, at this point the presidential race is too close to call. Stock market returns in presidential election years are little affected by the election outcome, generally with modestly lower returns than non-election years.

Assessing through a global lens, the US and foreign economies are facing some concerning global challenges. The Russian invasion/war in the Ukraine continues with devastating effects on life within Ukraine. Recent ground forces and military budgeting escalation by

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Russia foretells of continuing problems in that region of the globe. In the Middle East the conflict between Israel and Hamas/Hezbollah has noticeably escalated in the last few months. The tangential effects of this continuing escalation could prove detrimental to both global oil markets and European economies. China must also not be ignored as a potential source of geopolitical risk given their recent actions in the South China Sea, harassing both the Philippians and Tiawan.

The restoration of the standard yield curve has slightly diminished recessionary concern. We continue to maintain diversified portfolios of both equities and debt primarily of large capitalization companies. These holdings provide portfolio income from both dividends and interest, such that income is received into accounts each month. As always, should you have any questions or if we can be of further assistance, please do not hesitate to contact us.

Thank you for your continued trust and confidence in our efforts on your behalf.

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