

September 20, 2023

Good Afternoon,

The Federal Reserve has left rates unchanged today at the close of their September meeting. However, Chair Powell has stated that the Fed has not yet conquered inflation and, citing economic strength, is likely to hike rates one more time this year. Markets have floundered the past several weeks as economic data and corporate earnings send mixed signals on the direction of the economy. While inflation ticked up in August, rising gasoline prices had large influence over the data. After adjusting for energy prices, inflation was in line with expectations, rising 0.2% in August. Stocks rallied early today and deteriorated during Chair Powell's post meeting press conference.

By all accounts, the economy should be in recession by now. The resilience is puzzling to most economists. Of course, historic economic data never included statistics of what happens when you shut down the global economy for a year, then reopen it with a flood of government cash. Whether or not the Fed has engineered a reduction in inflation while keeping the economy growing (a "soft" landing) won't be known until after the fact. Now we must add into the mix a pending government shutdown and the UAW strike of the big 3 auto manufacturers. Both could impact the economy to varying degrees.

And did you know this? For the first time since April 2003, monthly imports from Mexico into the US exceeded imports from China on a trailing 12-month average basis. Since peaking at 21.55% of average total imports in March 2018, imports from China have accounted for just 14.43% of total imports over the last 12 months compared to 14.84% from Mexico. This was news to me!

With a little over a week to go, the Cincinnati Reds still have a chance to make the playoffs. Keep your fingers crossed and have a great week.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

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