

## ECONOMIC & MARKET INSIGHTS

### An Executive Summary for October 2023

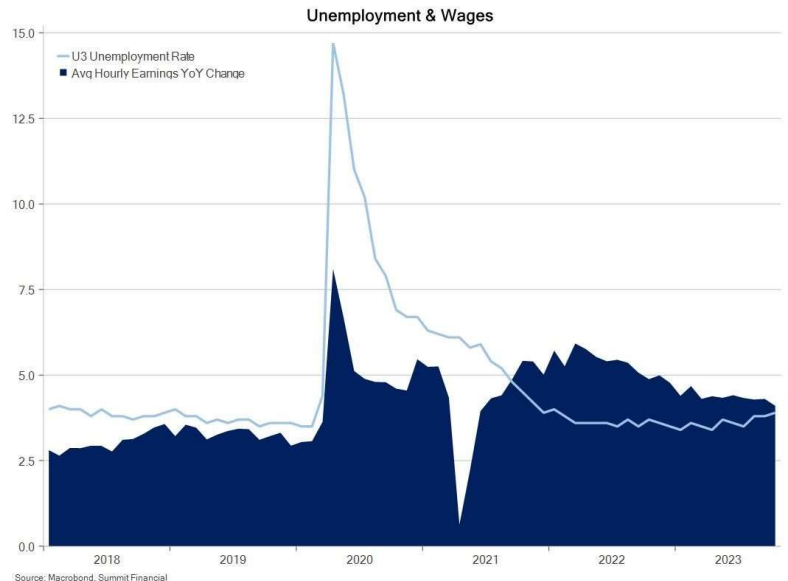
The U.S. economy grew at 4.9% during Q3, in contrast to Europe which contracted -0.1%. Japan, according to recent estimates, experienced 0% growth. Japan's slower growth was driven, in part, by reduced exports to China as Chinese growth has been hampered by a decline in manufacturing, services, and housing. Going forward, China may need to increase stimulus measures, especially as it attempts to manage a protracted real estate crisis.

The U.S. Labor market remains steady with unemployment running near 3.9%, though monthly jobs gains have been decelerating over the past few months. Unions inked wage gains near 25% in the automotive industry and certain fast-food employees in California saw a minimum wage increase to \$20.

Looking forward, Powell noted that 'reducing inflation is likely to require a period of below-potential growth and some softening of labor market conditions'. Higher rates for corporate and mortgage financing, resumption of student loan payments after a three-year moratorium, reduced household savings, and contracting money supply likely point to slower economic growth.

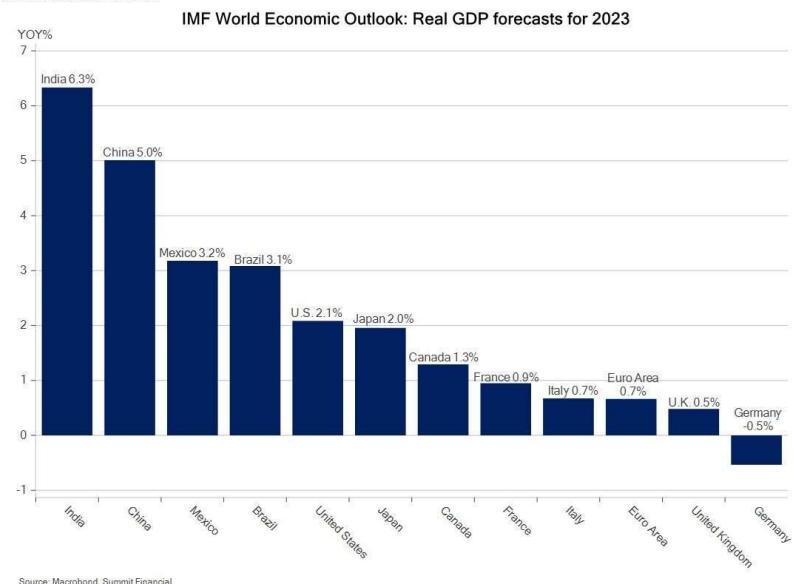
#### Key Indicators are Moderating but Stable

- U.S. industrial production remains in a modest downturn though services and retail consumption continue to expand.
- U.S. delinquency rates have started to rise, across credit cards and auto loans in particular, but the increases have so far been mild and are below prior recessionary levels.
- Global energy prices remain contained, for now, but an expanding Middle East conflict increases potential for supply disruptions.
- Gold, normally seen as a safe haven during times of geopolitical stress, has held steady in price. Going forward, rising real yields will likely provide strong competition.



#### IMF Cuts Baseline Global Forecasts

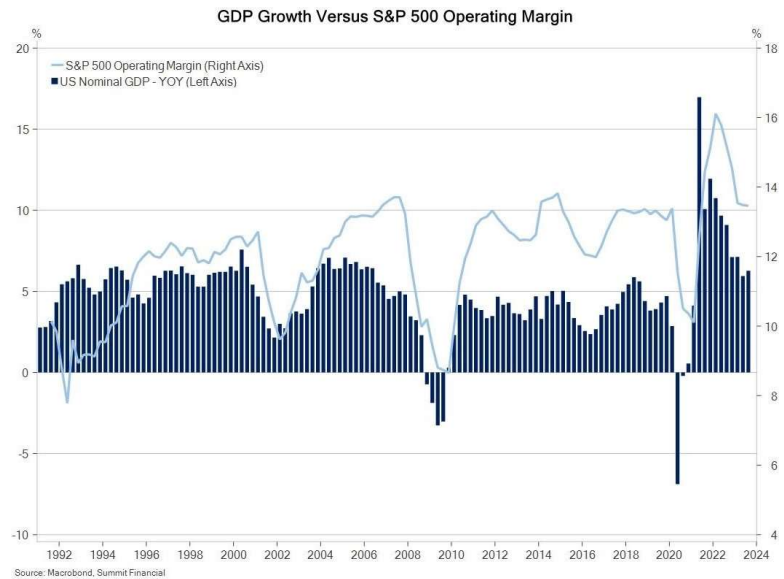
- The International Monetary Fund, in its World Economic Outlook released in October, forecasts global growth to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024.
- Growth in advanced economies is expected to slow to 1.5% in 2023 and 1.4% in 2024, versus developing economies which are forecasted to maintain a 4.0% growth rate for both 2023 and 2024.



- The IMF noted that the global recovery ‘has been remarkable’ given the post pandemic dislocations, the Russian invasion of Ukraine, and strong increases in inflation. It also stated that monetary policy actions ‘are the key at the current juncture to keep inflation expectations anchored’.
- Growth is strongest in India, China, developing Asia, Brazil, and Mexico while weaker in Japan and Europe. Only Germany has experienced negative GDP growth so far this year.

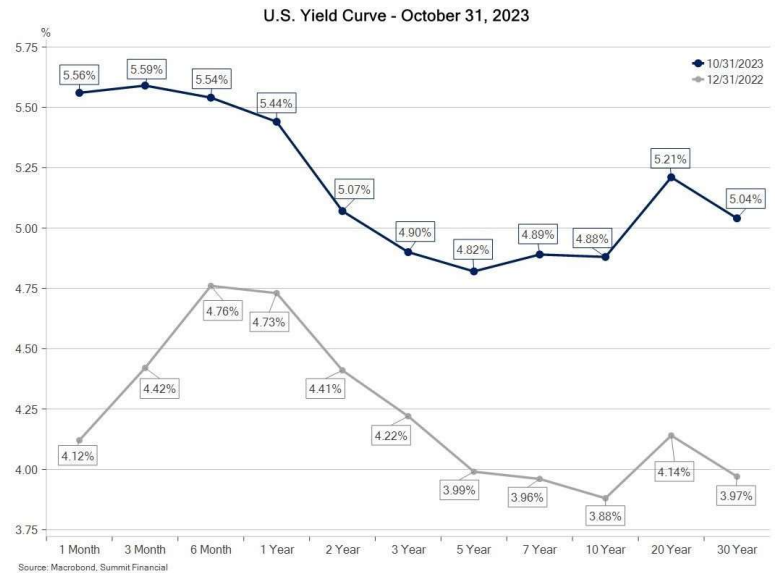
### Equity - EPS Estimates for 2024 Too High?

- Earnings growth for Q3 is 3.7%, above expectations of -0.3% at the beginning of the quarter. This is the first quarter with positive growth since Q3 2022. For Q4, analysts have reduced expectations, but still see earnings growth near 5.0% with revenue growth near 4.0%.
- Analysts estimates for 2024 earnings growth is 12%. This appears optimistic versus U.S. GDP forecasts near 1% growth, recent IMF downward revisions to global growth, and the expectation that the Fed will hold rates higher for longer.
- Given higher equity multiples versus cash and bond yields, markets remain sensitive to any downward revisions in earnings growth.



### Fixed Income—Higher for Longer?

- Federal Reserve held rates steady at its November meeting, indicating that its ‘stance of policy is restrictive’ and ‘putting downward pressure on economic activity and inflation’.
- Powell stated that ‘a few months of good data are only the beginning... to build confidence that inflation is moving down... toward our goal’. The Fed likely needs to see at least 6 months of ‘good data’ before it begins to consider rate cuts—that pushes the timetable out towards early Q2 2024.
- Investors may consider extending duration on selective credits. However, given prolonged levels of bond volatility, entry price levels remain critical.



---

Disclaimer: This commentary was composed by Summit Financial, LLC., an SEC Registered Investment Adviser (“Summit”), headquartered at 4 Campus Drive, Parsippany, NJ 07054, Tel. 973-285-3600. It is provided for your information and guidance and is not intended as specific advice and does not constitute an offer to sell securities. Summit is an investment adviser and offers asset management and financial planning services. Indices are unmanaged and cannot be invested into directly. The S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of eleven different sectors. Leading economic indicators (LEI) are statistics that precede economic events. They predict the next phase of the business cycle. The OECD Composite leading indicators (CLIs), designed to anticipate turning points in economic activity relative to trend, continue to strengthen in most major economies. The MOVE Index measures US interest rate volatility. The index tracks the movement in US treasury yield volatility implied by current prices of 1-month OTC options. The Cboe Volatility Index (VIX) is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Core CPI excludes food and energy, while headline CPI includes all items. The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectations for inflation, stock prices and interest rates. A treasury Bill (T-Bill) is a short-term US government debt obligation backed by the treasury Department with a maturity of one year or less. Treasury Inflation-Protected Securities, or TIPS, are inflation-protected bonds (IPBs) that are issued by the U.S. Treasury. Their face value is pegged to the CPI and adjusted-in step with changes in the rate of inflation. The National Financial Conditions Index (NFCI) is a weighted average of a large number of variables (105 measures of financial activity) each expressed relative to their sample averages and scaled by their sample standard deviations. The short interest ratio is a mathematical indicator of the average number of days it takes for short sellers to repurchase borrowed securities in the open market. The ratio is calculated by dividing the total number of shorted shares of a stock by the average daily trading volume. CBD stands for central business district, which is the commercial and business center of a city. The Personal Consumption Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of US economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the manufacturing sector. Consumer Sentiment is represented by The University of Michigan Consumer Sentiment Index which rates the relative level of current and future economic conditions. The ISM Non-Manufacturing Index is a monthly indicator of US economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the services (or non-manufacturing) sector. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client.

Steven W. Lieberman is the President and CEO of The Private Client Group Wealth Management, LLC. Investment advisory and financial planning services are offered through Summit Financial, LLC, an SEC Registered Investment Adviser (“Summit”), doing business as The Private Client Group (290 West Mount Pleasant Avenue, Suite 2330, Livingston, NJ 07039. Tel. 973-285-3637. 6085678.1