THE PRIVATE CLIENT GROUP
BALANCING LIFE & WEALTH

ECONOMIC & MARKET INSIGHTS

An Executive Summary for November 2023

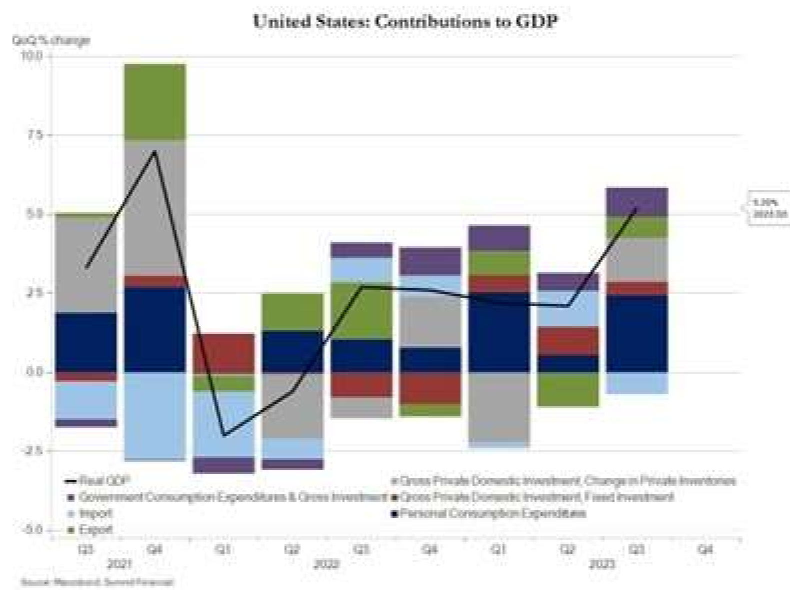
The U.S. economy continues to grow, albeit, at a slowing pace. For the current quarter, growth estimates are running near 1.2% versus 5.2% in Q3. Industrial production and residential investment remain flat to mildly low, while retail spending, non-residential fixed investment, housing starts, and government expenditures remain positive contributors to growth. Job growth continues to moderate as non-farm payrolls saw 150k new jobs added, well below levels from a year ago. Unemployment remained steady at 3.9%, ticking up from 3.8% in October. Looking forward, the soft-landing scenario is most sensitive to cooling consumer spending as households are bogged down by higher debt service fees, mortgage and/or student loan repayments, and rising credit card balances. Federal government funding will return as a hot button issue heading into next year as Congress manages short term budget measures. For now, the current continuing resolution funds the government until January 19, 2024.

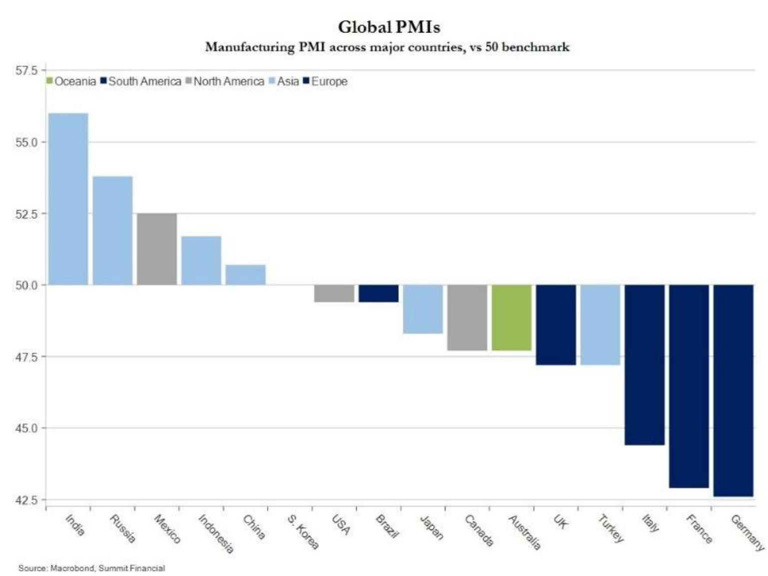
Monetary Policy Slowly Filtering Through

- The impact from higher rates continues to filter through the economy. Given the long and variable lags built into rate tightening, the Fed now has to pause and monitor to ensure that the rate hikes are working. Chairman Powell's summary so far - 'we are getting what we wanted to get'.
- The most sensitive segment to the lagged impact will be weaker quality credit, whether in bonds or private lending. Slower growth, combined with higher rates, will likely cause weaker balance sheets refinance, which could lead to opportunities for distressed credit strategies.
- Risk exposures may also extend to office properties, certain residential housing, consumer lending firms, regional banks, and venture capital financing.

International View Varies—EM Leads

- Internationally, growth remains slow and forward-looking measures such as the Purchase Managers' Index (PMIs) show strong variances between moderate expansion and slight contraction.
- Chinese economic data continues to drag due, in part, to sinking real estate markets, concerns over debt defaults and shifting/reshoring of global production. The Biden-Xi meeting did not result in economic announcements but did lead to agreement on re-establishing military communications.

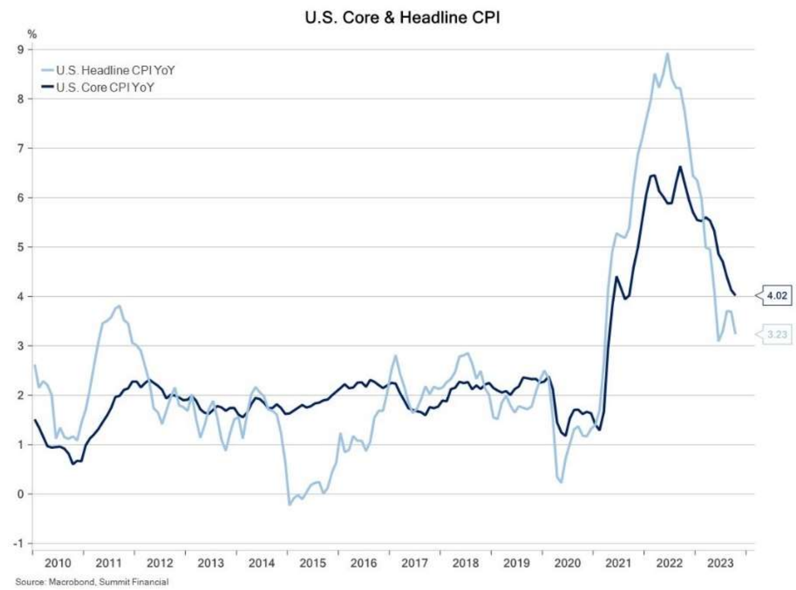




- Energy prices remained subdued following OPEC cuts to production and the containment, so far, of the conflict in the Middle East.
- Gold drifted toward all-time highs as bond yields fell.
- U.S. dollar fell during the month, aiding risk assets as international markets largely kept pace with U.S. Commodities markets were notable laggards.

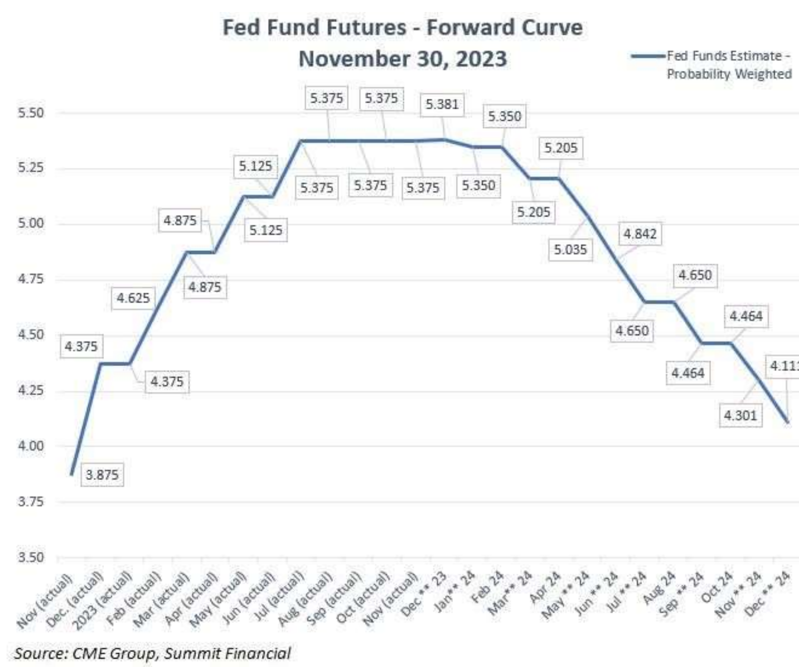
Earnings Seen Reaccelerating into 2024

- Earnings growth for Q3 was –0.3% and is expected to reaccelerate in Q4 to 3.1%.
- Consensus earnings for 2024 are forecast to grow 12%, although 6% to 8% may be more likely assuming a soft landing. However, with inflation stabilizing, firms are likely to better manage and contain cost of goods sold thereby maintaining margins.
- Equity valuations remain high and will likely have difficulty expanding— restricting a major driver of returns. Market leadership remains narrow and concentration in the top names within the S&P 500 is at historical highs.
- With the Fed holding short term rates higher into mid next year and long bond yields above 4%, equities face competition within the overall asset allocation, but remain the best bet to offset higher inflation



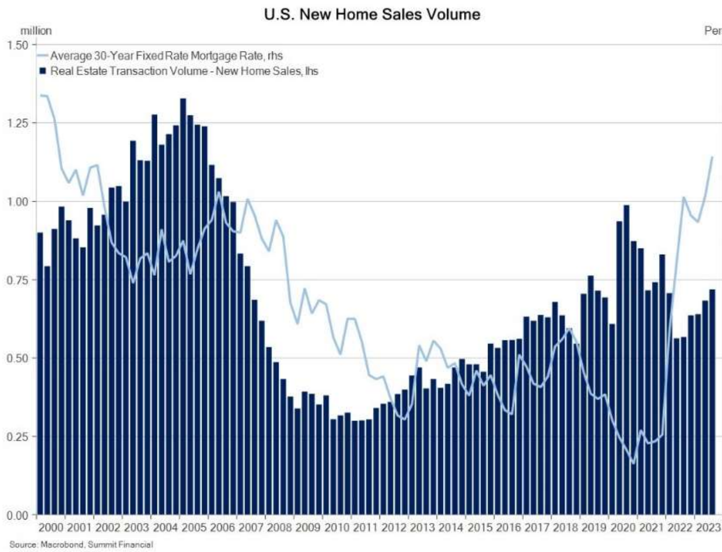
Fed Needs to See Real Progress on Inflation

- The Fed says it will stay "higher for longer" meaning that real rates stay higher as the Fed retains a larger cushion to protect against inflation reaccelerating.
- This does not preclude rate cuts. Assuming that inflation returns towards 2.5% to 3.0%, the Fed has room to lower rates towards 3.5% to 4.0% - in line with market forecasts for the end of next year.
- The Fed needs to see inflation abate and reach the 2.5% to 3.0% zone before it can move towards a balanced outlook. That should happen early next year.
- A stabilizing inflation backdrop and moderating Fed policy likely improves risk/reward for fixed income and could reset bonds back to 'normal' after three difficult years.



New Home Sales Resilient Despite High Rates

- Residential Real Estate: Mortgage rates remain near multi-year highs, but new single family home sales volumes remain robust. Volumes are similar to 2017- 2018, despite the current higher rate environment.
- Commercial Real Estate: Within Commercial Mortgage-Backed Securities, delinquency rates are up from a year ago, with Office and Retail struggling.
- Infrastructure: Long term trends seeking digitization and decarbonization remain in place. Large Private Equity firms remain bullish on the sector and continue to raise funds. Some managers see deal making activity increasing in 2024.



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. 6152099.1