

Monday August 28, 2023

SUMMARY-

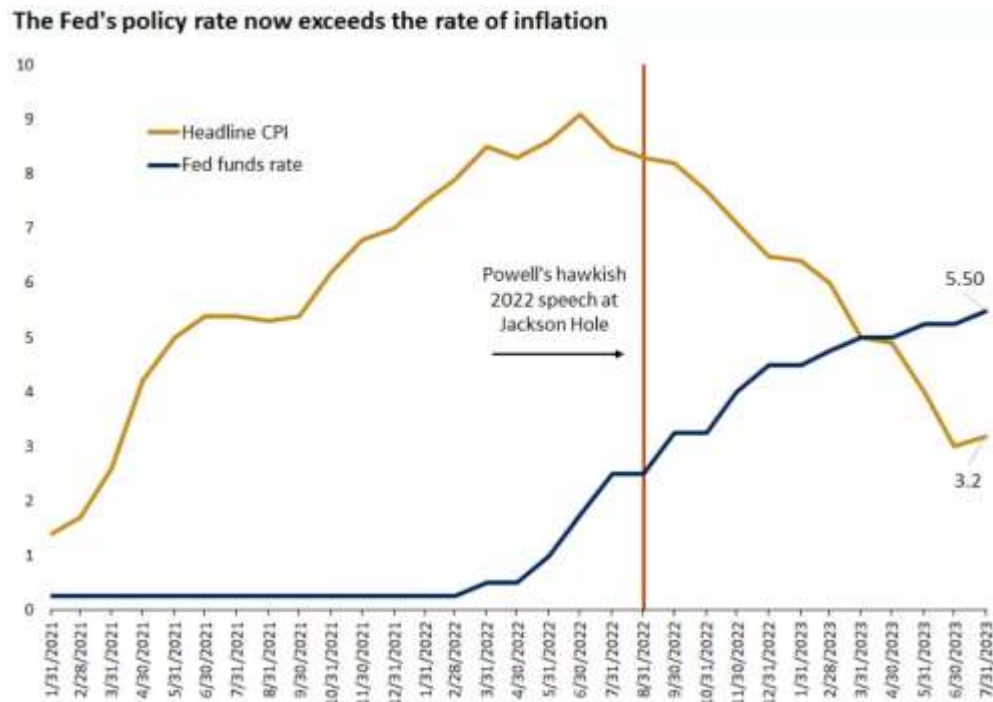
- I. Markets rebounding after modest August pullback.*
- II. Fed remains on inflation watch at Jackson Hole.*
- III. CPI down but further declines may need job losses.*
- IV. Inflation prompts better consumer awareness – The Price is Right?*

Good afternoon:

Equity markets began to recover some of this month's pullback last week, once again led higher by large-cap technology stocks that helped the NASDAQ regain 2.27% to lead all major averages. Today's opening appears to be a continuation of this positive momentum with stocks up even more broadly to start the last week of the month. Much of what will determine the near-term direction for the market lies with the Fed and their decisions on further rate hikes.

August also is the month the Federal Reserve hosts their annual Jackson Hole symposium, which offers policymakers an opportunity to outline broad policy shifts. It's not uncommon for remarks made at this meeting to shake up markets. This was the case last year when Chairman Powell telegraphed the Fed's determination to defeat inflation even if it results in "some pain" for U.S. households. In Powell's speech at Jackson Hole last week, he still seemed hawkish but perhaps more balanced, indicating they will continue to watch the data as they keep their options open. Although current inflation at 3.2% exceeds the Fed's 2.0% target, it is obviously down considerably from its 9.1% peak last

year. In fact, the current Fed Funds rate is now well below the rate of inflation, opposite to the situation during Jackson Hole 2022.



Source: Bloomberg

With the current tight labor market, the Fed has pledged to remain diligent and not give up on their 2.0% inflation target. Some believe the “last mile” in this fight may prove more difficult and may require some loosening in the labor market. For this reason, the Fed is not likely to declare victory prematurely or even change to more dovish rhetoric. It’s definitely a balancing act between the two objectives of the Fed’s dual mandate: stable prices and maximum employment.



Widespread rising prices over the past couple years have prompted most people to sit up and take notice. Remember, the inflation rate (CPI) merely measures the rate of price *growth* over a given period. Price *declines* back to previous levels would require *deflation*, a seldom seen phenomenon across an entire economy. Meaning, prices in the long run generally only move in one direction.

This past weekend also saw the passing of the iconic Bob Barker at just a couple months shy of his 100th birthday. Long-time host of *The Price is Right* gameshow, Bob applauded contestants who were “smart shoppers.” Being mindful of the current prices of goods and services we use not only made for entertaining television but encouraged consumers to pay more attention. Investors too need to recognize fair value in the stocks and bonds they acquire and realize that paying too much for something may be unwise. Bob’s

longevity also reminds us that the longer we live, the more compounding inflation will impact our finances. For this reason, we continue to advocate for all investors, even retirees, to address the risk of losing their portfolio's purchasing power over time due to inflation.

In addition to his entertainment industry roles as master of ceremonies, gameshow host, and even actor, perhaps Bob Barker's biggest passion was his love of animals. As an activist and philanthropist, Bob worked tirelessly, as well as donated tens of millions of dollars to foundations promoting animal care and rights. Appalled by the overpopulation of domestic animals and the millions that are sadly euthanized each year, Bob took the time to close each show with his message, "Help control the pet population; have your pet spayed or neutered." Bob's legacy will surely live on through the work and awareness he provided to this important cause.



Have a great week!

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