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Michael's Musings

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INDEX	LAST	NET	% CHG	% CHG YTD	% CHG vs. HIGH	50 Day M.A.	200 Day M.A.
Dow Jones	33666.34	116.07	0.35%	1.57%	-8.89%	34765	33810
Dow Jones Transports	14985.90	158.16	1.07%	11.90%	-12.05%	15762	14748
Dow Jones Utilities	815.53	-16.60	-1.99%	-15.70%	-22.90%	888	927
S&P 500	4299.70	25.19	0.59%	11.99%	-10.77%	4458	4198
S&P 400 Midcap	2511.05	26.01	1.05%	3.32%	-14.18%	2618	2550
S&P 600 Smallcap	1159.12	12.97	1.13%	0.14%	-21.55%	1215	1198
NASDAQ	13201.28	108.43	0.83%	26.13%	-18.57%	13755	12512
NASDAQ 100	14702.77	122.61	0.84%	34.40%	-12.30%	15195	13542
Russell 2000 (Smallcap)	1794.31	15.41	0.87%	1.88%	-27.03%	1887	1846

Treasury Yield Curve

PRIME	30 Yr. Jumbo	90 Day T-Bill	2 Yr. T-Note	10 Yr. T-Note	30 Yr. T-Bond
8.50%	8.06%	5.560%	5.040%	4.590%	4.710%

3Q23 — From “Cautiously Optimistic” to Just “Cautious”

The stock and bond markets took a step back in the third quarter after what had mostly been an encouraging first half of the year. Inflation measures continued to moderate, but the Federal Reserve still raised their target federal funds rate an additional 25 basis points (0.25%) at their July meeting, their 11th total hike since March 2022. This historically-steep pace has increased concerns that higher rates will slow the economy, with many economic measures already reflecting softening growth. The U.S. has so far managed to stave off a recession, but the pullback in stocks and bonds may indicate that investors have begun to temper their expectations going forward. In other words, the “cautious optimism” of the first half of the year has retreated back toward outright caution.

THE EQUITY MARKET

The S&P 500 fell 3.8% from July to September, marking its first quarterly decline since the third quarter of last year. The losses were spread across most of the S&P's major sectors, too, with only Energy (12.27%) and Communication Services (1.05%) managing to gain ground over the three months. One major difference in the third quarter compared to the first half of the year was that the giant companies at the top of the market were unable to help carry the S&P 500 higher.

THE EQUITY MARKET (cont.)

In fact, according to S&P Global the index was “off a slightly less 3.6% when excluding its largest stocks — Apple Inc., Microsoft Corp., Amazon.com Inc., NVIDIA Corp., Alphabet Inc., Tesla Inc., and Meta Platforms Inc. The narrow gap sits in stark contrast to the outperformance by those names in the first six months of 2023. Through the end of September, the overall S&P 500 has increased about 12.1% this year, but has gained less than 1.8% after removing the so-called ‘Magnificent Seven.’” Clearly, much of the stock market’s success in 2023 has been down to these heavyweights, and the performance gets less impressive as we go down the cap spectrum. In fact, the small cap Russell 2000 ended the quarter right where it was during the first week of January, illustrating the limited progress of the broader market.

THE BOND MARKET

For much of the past 40 years, bonds helped to insulate portfolios during periods of decline in the stock market. However, the sharp rise in interest rates over the last couple of years has put downward pressure on bond prices, and that was again the case in the third quarter. Rates took back off to the upside, with the benchmark 10-year U.S. Treasury yield shooting from 3.8% to 4.6% over the three months. Consequently, the Bloomberg Aggregate Bond Index fell 3.2%, almost matching the losses in the S&P 500. The softening economy also brought to the forefront concerns about credit and default risk, as high yield bond volatility increased while prices dropped. On the positive side, the higher interest rate environment continues to provide more competitive fixed income yields than have been seen in a generation. The 6-month U.S. Treasury yield ended the quarter above 5.5%, its highest level since the beginning of 2001. For many, such fixed rates are finally providing an attractive alternative to the stock market.

COMMODITIES

The Commodity markets were more mixed in the third quarter. Notably, crude oil prices accelerated higher during that span, moving from around \$70 at the end of June to above \$90 at September’s close. Such a climb has helped to increase pain at the gas pumps and renew inflation concerns among investors. However, not all Commodities saw the same rise in price over the past three months as oil. Gold and silver actually fell during the quarter, as a sharply-strengthening U.S. Dollar may have helped to put downward pressure on the metals. A slowing economy could hurt demand for many Commodities, yet supply imbalances may help to keep a higher floor under prices.

CONCLUSION

The third quarter was more in keeping with what many people expected the year to look like when 2023 began — a continuation of the difficulties faced in 2022. Sharply rising interest rates ultimately proved too much to sustain the pleasantly-surprising strength of the first half of the year. Stocks and bonds both pulled back, while inflation remained a regular talking point despite its moderation. It may not all be bad news, however. The drop in asset prices may provide an attractive buying opportunity as we enter the fourth quarter, which has been the best

three-month period, on average, for the stock market over the past 20 years. Concerns and risks do certainly remain, particularly the effects that sustained higher interest rates will have on the economy; yet, the market appears to have started to price in such risks and expectations may now be lowered enough to allow for some upside surprises as we close out 2023 and look toward 2024.

Sincerely,



Michael A. Jones

Additions to the team:



Please give a warm welcome to our newest team member, David Jones! David started with the Jones Financial Group mid August. He graduated from Clarke University in 2022 with his bachelor's degree in business administration with a finance focus. In October, David will be starting the Raymond James Advisor Mastery Program. This is a 24-month training program designed to position new advisors for success.

Anniversaries:

Michael Jones celebrated 18 years with Raymond James in June

Kristen LaRue celebrated 2 years with the Jones Financial group in July (13 years with Raymond James)

Upcoming Events:

We're going shopping at **Woodfield Mall!** **Friday, November 17th**

Brunch with Santa **Saturday, December 2nd**

Deadlines:

Required Minimum Distributions from IRAs for those over the age of 73 **December 31st**

Tax Loss Harvesting **December 31st**

Roth IRA conversions **December 31st**

IRA and Roth Contributions **April 15th 2024**

Would you like to be invited to our Annual Client Advocate Dinner? Refer a friend or relative to us and have them call to schedule their initial meeting before the end of the year to be invited to next year's event held in May.

Help us grow in 2023!

Our goal is to offer services to several other clients just like you! We would be honored if you would:

Add a name to our mailing list;

Bring someone to a workshop or client event;

Have them come in for a complimentary initial meeting.

Please call Rhiannon Spencer at (815) 391-6000 and we would be happy to assist you!

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Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable, however, their accuracy or completeness cannot be guaranteed.

Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs, or expenses. No investment strategy, such as asset allocation and rebalancing, can guarantee a profit or protect against loss in periods of declining values.

In general, the bond market is volatile, bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. The investor should note that investments in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

International investing involves special risks including greater economic and political instability, as well as currency fluctuation risks, which may be even greater in emerging markets.

The price of commodities is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility.

The S&P 500 is an unmanaged index of 500 widely held stocks. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The Barclays Capital U.S. Aggregate Bond Index is often used to represent investment grade bonds being traded in the United States. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S.

The Dow Jones Transportation Average™ is a 20-stock, price-weighted index that represents the stock performance of large, well-known U.S. companies within the transportation industry. The Dow Jones Utilities Index is a member of the Dow Jones Global Indices® family, is designed to measure the stock performance of U.S. companies in the utilities industry. The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The Nasdaq-100 Index (NDX®) defines today's modern-day industrials—comprised of 100 of the largest and most innovative non-financial companies listed on the Nasdaq Stock Market based on market capitalization. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index

Sources: Wall Street Journal, Bloomberg Finance, Federal Reserve, Barron's, Treasury Department, Reveille Letter.

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