Dear Valued Clients,

Market

Equity markets put in a strong performance during a traditionally weak September. As we head into the 4th quarter of 2024, we are still at the same crossroads we have been discussing all year – soft landing or hard landing/recession? And what will November's election results have to do with it? The economy has been doing well post pandemic, but we have all been anticipating a slowdown for a while especially given Fed tightening, inflation peaking and consumer spending slowing. Moving forward, we do anticipate that slow down or soft landing and it looks like we might avoid the hard landing that would propel us into a recession. Obviously, consumer spending can decline (forced – high interest rates or by choice), but we believe the Fed understands this well and will do what it takes as evident by their September rate reduction. Even after last month's cuts, we believe there is another 50-basis point reduction coming this year. Yes, the outcome of the election impacts taxes, tariffs and fiscal spending priorities, however, we remain steadfast saying fundamentals, the Fed and company earnings have a more profound impact on the markets. Given that a soft landing appears to be in sight and we envision positive earnings growth, we are still bullish – although not without hiccups along the way. The markets do not like uncertainty and we have a lot of that (elections, wars, over optimism?) so we cannot be on autopilot. Asset allocation is what we do as it helps to create a system that can potentially outlast various market conditions. Even during the uncertainty, we shouldn't lose sight of our long-term goals.

Trades

With the exception of the last 3 years or so, fixed income has been a staple of our portfolios. Bonds, in the right market conditions, provide stability and consistent income. They also help dampen volatility when markets get rocky. The runup in yields from pandemic lows has proven attractive. Given this, we will be making some changes to our model portfolios that you will see over the next week or so. In essence, we will be going higher quality in large caps, taking on a touch more of small caps and we will be balancing everything out by adding some diversified fixed income which currently taps into the market's current high yields and with potential to benefit as rates fall over next couple of years.

Personal

As you know from Dad's last newsletter my son, Bear, qualified for the US Kids Golf World Championship in Pinehurst in August. Bear didn't want to go without BoBo. Matt and I have never forced our children to do anything, but we did force Bear to go and at least try. If he felt as though he couldn't finish, we would let him withdrawal. On day 1, Bear and Matt won the Parent/Child event shooting a -3! Bear went on to play 18 holes 4 days in a row in ridiculous

North Carolina heat. There was a cardinal perched on the tee marker on Bear's first hole that did not even flinch when Bear hit his opening drive. He thinks it was BoBo. We are proud of Bear for going and competing – and finishing. As we all know, life is so much greater than sports - it's often the lessons embedded inside the competition and fun that mold you.

Thank you for the support over the last few months. It is an absolute privilege to call you my clients.

Sincerely,

Elizabeth Brown Kussman
Financial Consultant

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