



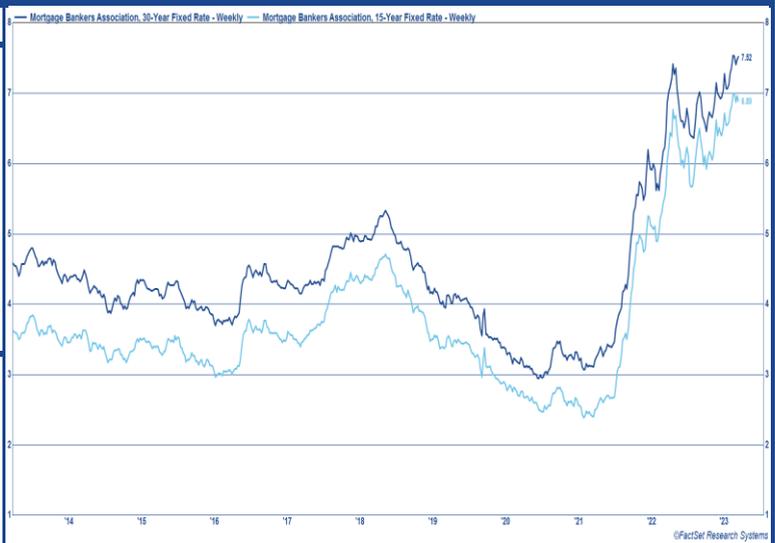
Economic & Market Commentary

Higher for longer. That's what the Federal Reserve (Fed) signaled about short-term rates last week and the markets did not react well to the message. Stocks were down sharply, and bond yields rose across the yield curve. The 10-year treasury reached an intra-day high of 4.50%, a level last seen in October 2007. As widely expected, the Fed did not raise rates at the conclusion of its FOMC meeting last Wednesday keeping the fed funds rate at 5.50%. What wasn't expected was the change in the path of short-term rate projections. Each quarter, the Fed issues their latest economic projections via the Summary of Economic Projections report. This report reflects the median of 19 Fed members' latest projections on U.S. GDP, unemployment rate, headline and core PCE inflation, and the fed funds rate. Last June, Fed members forecasted year-ending fed funds rates in 2023, 2024, and 2025 of 5.6%, 4.6% and 3.4%. As of last week, the projections were 5.6%, 5.1% and 3.9%. Back in June they were forecasting four quarter-point rate cuts in 2024 and now they are only projecting two quarter-point rate cuts. What changed? The deciding factor was not inflation but the U.S. economy. The U.S. economy is still expanding at a modest pace and above Fed expectations. In answering questions during his press conference Fed Chair Jerome Powell noted, "Recent readings on consumer spending have been particularly robust; Economic activity has been stronger than we expected, stronger than I think everyone expected; We've seen inflation be more persistent over the course of the past year, but I wouldn't say that's something that's appeared in the recent data. It's more about stronger economic activity. If had to attribute one thing, I think broadly stronger economic activity means we have to do more with rates and that's what the projections are telling you." Since March 2022, the Fed has aggressively raised rates but is now in a position to take a more measured approach to figure out if rates are restrictive enough to bring down inflation. As Chair Powell stated, "I would say you know sufficiently restrictive when you see it. It's not something you can arrive at with confidence."

Index Total Returns - September 22, 2023

	1-Wk	YTD	1-Yr
NASDAQ	-3.61	27.02	20.44
S&P 500	-2.91	13.88	16.91
MSCI-Developed	-2.04	8.63	22.41
Dow Jones	-1.89	4.13	15.38
S&P 400	-2.79	3.93	10.96
MSCI-Emerging	-2.09	3.00	7.32
Russell 2000	-3.81	1.98	4.78
Barclay's U.S. Bond Index			
High Yield	-0.65	6.31	8.20
Int. Gov. Credit	-0.23	0.89	1.84
Municipal	-1.07	0.15	3.07
5-year Muni	-0.56	0.13	2.18
Aggregate	-0.50	-0.24	0.37

MBA Average Mortgage Rates



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.45	5.43	3.90
U.S. 2-Yr	5.10	5.03	4.13
U.S. 3-Yr	4.81	4.71	4.12
U.S. 5-Yr	4.57	4.46	3.92
U.S. 10-Yr	4.43	4.33	3.69
U.S. 30-Yr	4.52	4.42	3.64

S&P 500 Sector Total Returns - September 22, 2023

Sector	1-Wk	YTD	1-Yr
Communication Services	-3.22	40.45	31.93
Info Tech	-2.61	34.83	33.48
Consumer Discretionary	-6.34	27.01	8.81
Industrials	-2.68	4.96	19.95
Energy	-2.33	4.65	22.21
Materials	-3.64	2.36	14.61
Financials	-2.79	-0.10	9.06
Consumer Staples	-1.78	-2.84	3.48
Health Care	-1.16	-3.03	7.31
Real Estate	-5.49	-4.19	-5.54
Utilities	-1.70	-8.05	-9.94

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.86	3.67	3.50
U.S. AA	3.89	3.71	3.65
U.S. A	4.38	4.20	4.14
U.S. Baa	4.93	4.77	4.67
U.S. Municipal	4.06	3.88	3.81
Michigan	4.20	4.03	3.87

Index Characteristics	P/E	P/E NTM	Dividend Yield
S&P 500 - Large Cap	18.10	17.75	1.56
S&P 400 - Mid Cap	13.03	15.62	1.62
S&P 600 - Small Cap	12.24	15.38	1.96