



Economic Update and Investment Strategy Review

3rd Quarter 2023

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Wall Street Journal Headlines October 22nd and October 23rd

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Another Black Monday May Be Around the Corner

The Federal Reserve's policies threaten the American economy and financial markets.

By John Greenwood and Steve H. Hanke
Oct. 22, 2023 4:09 pm ET

ECONOMY

The Economy Was Supposed to Slow by Now. Instead It's Revving Up.

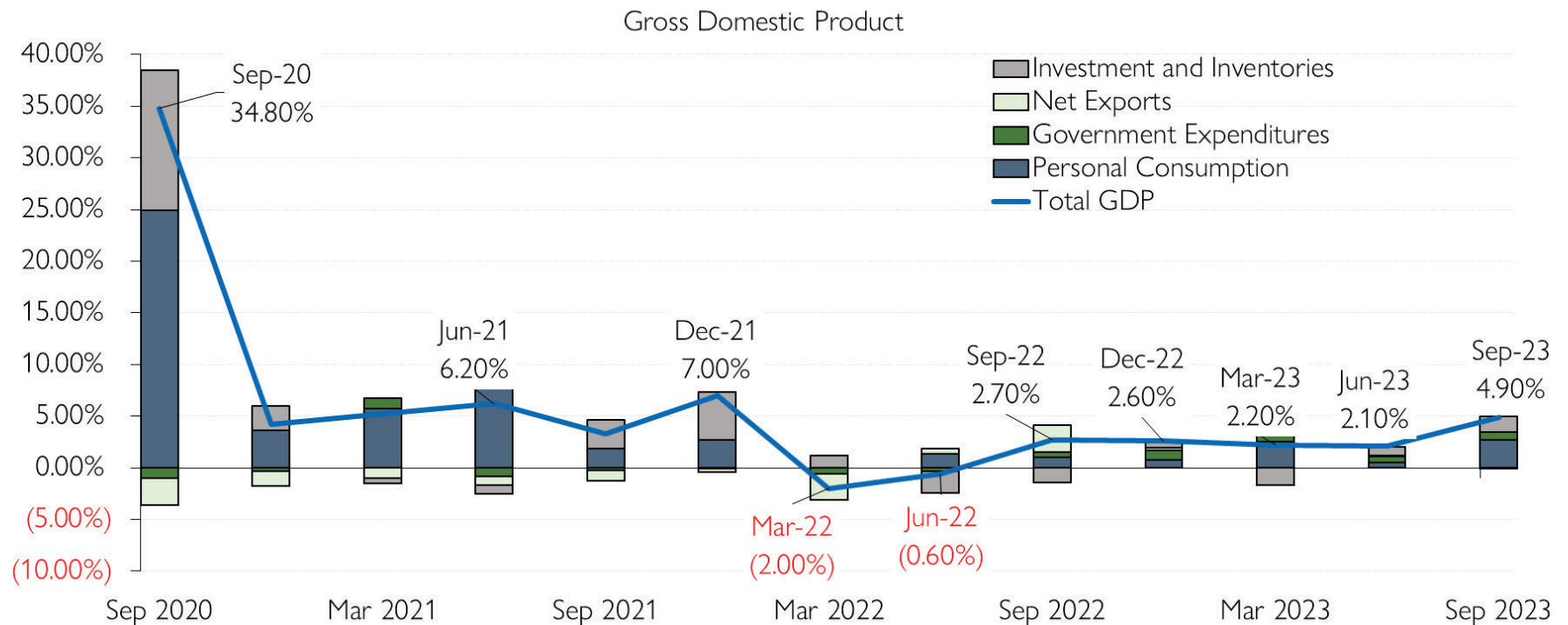
Analysts are raising their year-end forecasts as the Fed ponders whether to increase interest rates again

By [David Harrison](#) [Follow](#)

Oct. 23, 2023 5:30 am ET

Gross Domestic Product

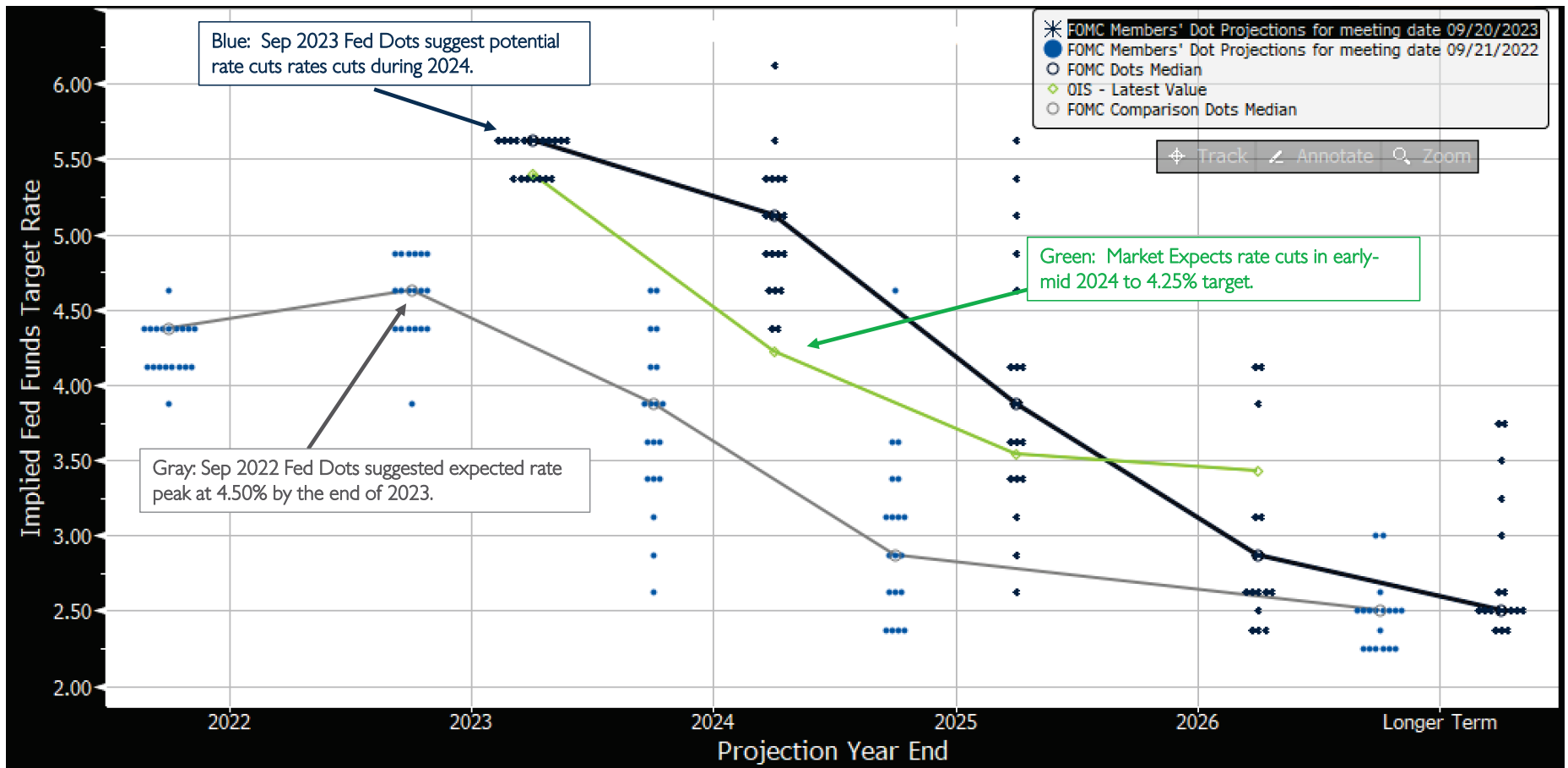
- U.S. economic growth continued to defy expectations of a slowing economy, posting 4.9% annualized growth for the 3rd quarter, based on the 1st reading. Personal consumption was the largest contributor to growth and was the highest level since December 2021 at 2.69%. Business investment and inventories was also at the highest level since December 2021 with a reading of 1.47%.



Bloomberg Economic Forecast – October 2023

Indicator	Actual / Forecasts					Probability of Recession				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 ▲
Economic Activity										
Real GDP (YoY%)	1.8	2.5	3.0	2.5	-2.2	5.8	1.9	2.1	1.0	1.8
Consumer Spending ...	2.5	2.6	2.7	2.0	-2.5	8.4	2.5	2.3	0.9	1.9
Government Spendin...	2.0	0.6	2.0	3.9	3.2	-0.3	-0.9	3.1	1.2	1.0
Private Investment ...	-0.1	4.4	5.8	3.1	-4.7	8.7	4.8	-2.7	1.0	3.1
Exports (YoY%)	0.5	4.1	2.9	0.5	-13.1	6.3	7.0	2.0	0.5	2.9
Imports (YoY%)	1.5	4.7	4.0	1.2	-9.0	14.5	8.6	-2.3	0.6	3.0
Industrial Production (Yo...	-2.2	1.4	3.2	-0.7	-7.0	4.9	3.4	0.0	0.2	1.8
Price Indices										
CPI (YoY%)	1.3	2.1	2.5	1.8	1.2	4.7	8.0	4.2	2.7	2.3
PCE Price Index (YoY%)	1.0	1.8	2.1	1.4	1.1	4.2	6.5	3.7	2.5	2.1
Core PCE (yoy%)	1.6	1.6	1.9	1.7	1.3	3.6	5.2	4.1	2.7	2.2

FOMC Dot Plot –September 2022 vs. September 2023

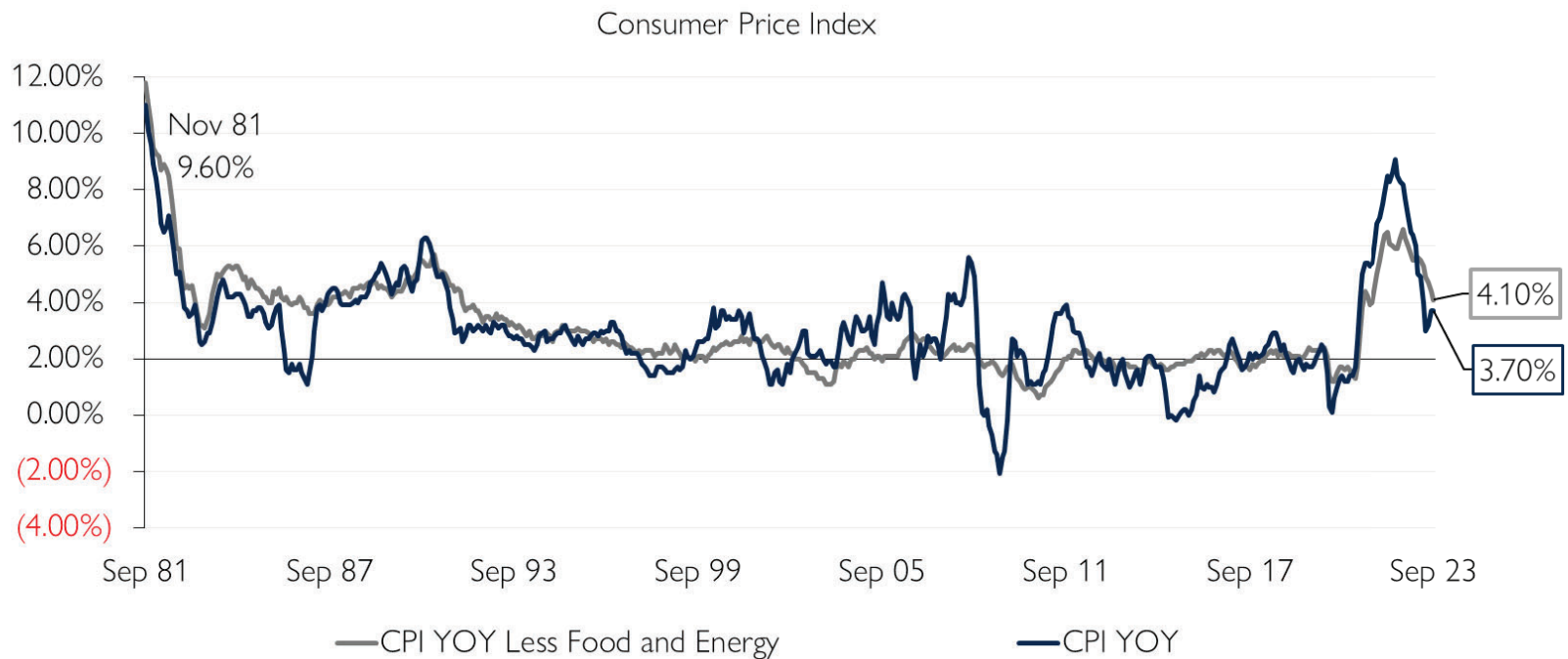


Bloomberg Economic Forecast – October 2023

Region: United States »			Instrument: Fed Funds Futures »		
Target Rate	5.50		Pricing Date	10/31/2023	
Effective Rate	5.33		Cur. Imp. O/N Rate	5.329	
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
11/01/2023	+0.000	+0.0%	+0.000	5.329	0.250
12/13/2023	+0.271	+27.1%	+0.068	5.396	0.250
01/31/2024	+0.395	+12.4%	+0.099	5.427	0.250
03/20/2024	+0.289	-10.6%	+0.072	5.401	0.250
05/01/2024	-0.077	-36.6%	-0.019	5.310	0.250
06/12/2024	-0.551	-47.4%	-0.138	5.191	0.250
07/31/2024	-1.065	-51.4%	-0.266	5.063	0.250
09/18/2024	-1.620	-55.5%	-0.405	4.924	0.250
11/07/2024	-2.147	-52.7%	-0.537	4.792	0.250
12/18/2024	-2.655	-50.9%	-0.664	4.665	0.250
01/29/2025	-3.095	-44.0%	-0.774	4.555	0.250

Inflation - CPI

- The year over year September Consumer Price Index was 3.7% for the second month in a row, 0.7% higher than the recent low of 3.0% in June due to higher energy and shelter costs. Core CPI (less food and energy) was lower at 4.1%. Shelter costs remain elevated and increased +7.2 for the last twelve months. Food also increased year over year at 3.7% with a +2.4% for food at home and +6.0% for food away from home.



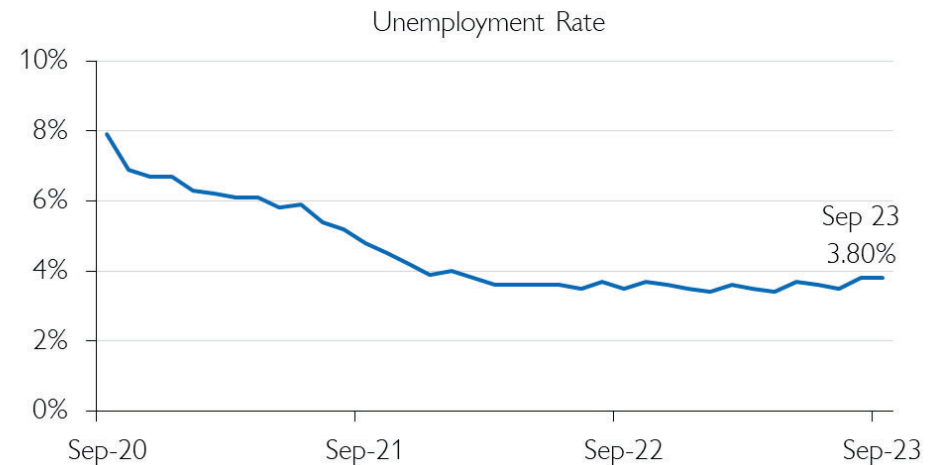
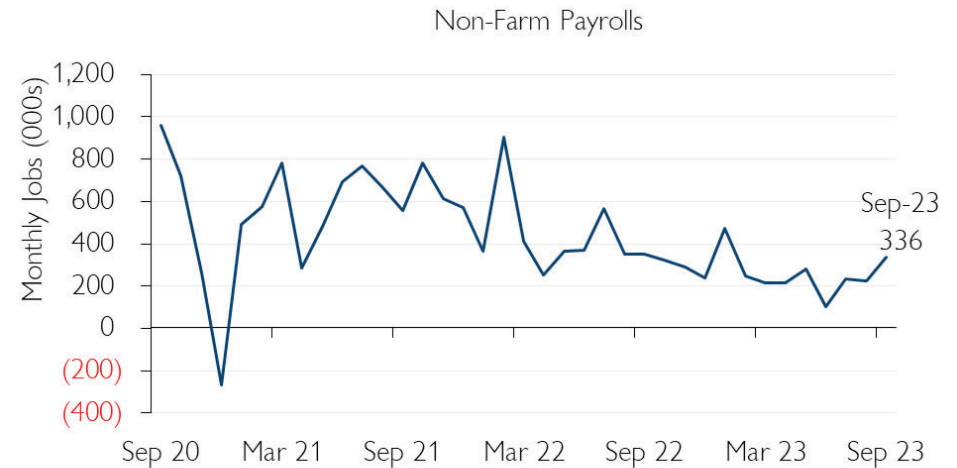
Jobs

Job Growth continues

- Payrolls were up significantly in September with 336K new jobs created, almost twice the 170K expected.
- Revisions to July and August figures added 79k and 40k, respectively.
- Leisure and Hospitality, Government and Health care sectors represent 70% of the jobs created.

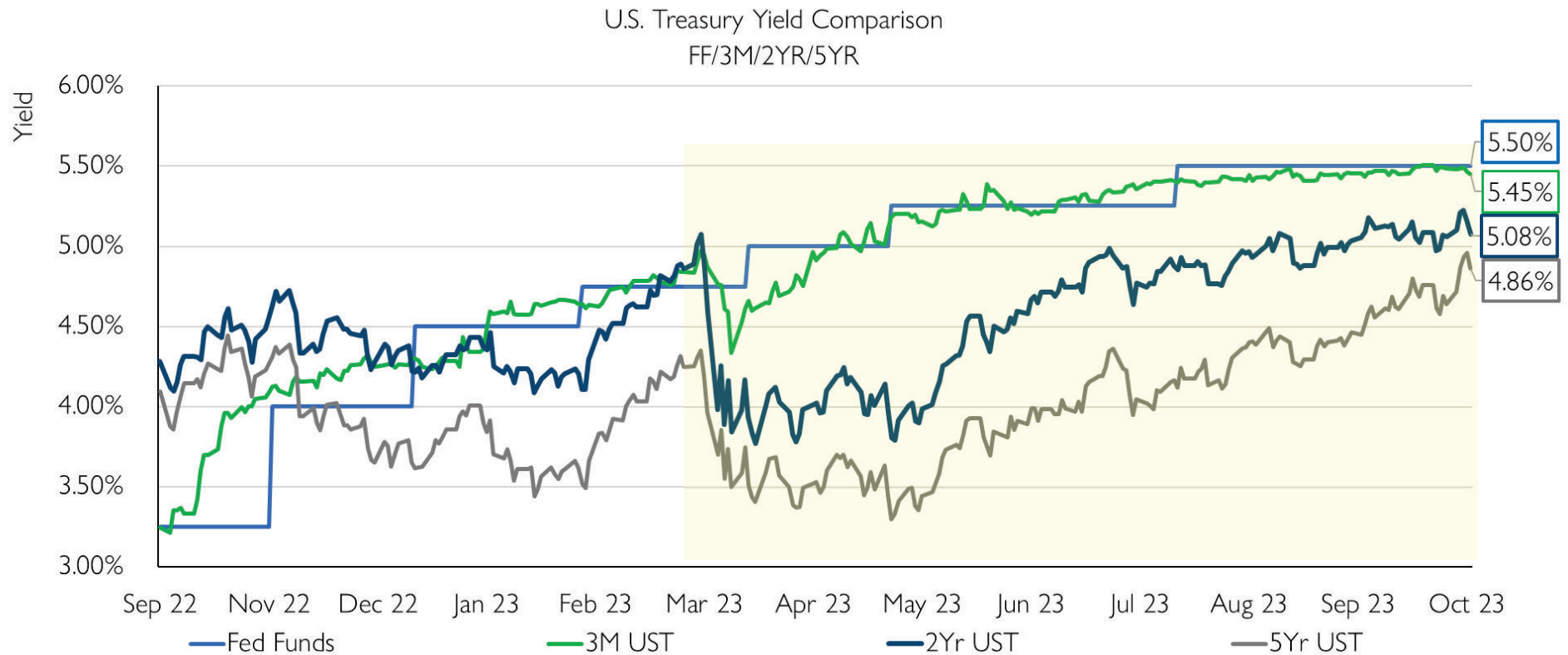
Unemployment Levels Remain Low

- The national unemployment remained at 3.8% in September, remaining near the 50 year low of 3.4%.
- Florida unemployment was 2.7% through August.
- Net growth of the labor force was 3.3mm for the 12 months ended September 2023 with a total labor force of 168mm.



Job Growth and Inflation Indicators Have Pushed Rates Higher

- U.S. Treasuries with maturities longer than 3 Months and longer have yielded less than the Federal Funds over night rate, for most of 2023 as a result of continued inflation concerns.



Aggressive Monetary Policy Forces and an Inverted Yield Curve

- The Federal Open Market Committee continued increasing the overnight rate higher through 2023 to 5.50%, the highest level in 22 years. Longer term rates increased less dramatically resulting in an inverted yield curve throughout the year.

