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EXECUTIVE WEALTH MANAGEMENT
at Steward Partners

Market Update

Timothy Davis, CFP®

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I wanted to provide a brief update on the bond market, which has recently caught investors' attention due to some unexpected developments.

While we are not a fan of political discussions in these missives, there has been some attention in the press about yields increasing due to the probability increasing that President Trump could win re-election in 12 days. While that may or may not be true, the fact is that neither candidate has done anything to address the deficit which will become a problem at some point.

In the words of Tom Essaye at The 7's Report, "I'm a big fan of Occam's razor, which is the principal of logic that states the simplest explanation is usually the best". With that in mind, the points to consider about what's behind the surge in yields:

Economic Growth

- Economic indicators like jobs, retail sales, and GDP growth have all been stronger than expected since the Fed cut rates.

Inflation

- Inflation remains firm, with the September CPI report showing a higher-than-expected rise, suggesting inflation's decline is slowing.

Fed Rate Cut Expectations

- The market has adjusted its expectations, now predicting only 0.25% to 0.50% worth of future rate cuts, down from 0.75%.

In short, the rise in yields can be attributed to stronger economic growth and firmer inflation. This fits with the “No Landing” scenario you may have heard about.

Our outlook remains positive. We believe the recent rise in yields provides an opportunity for investors to take advantage of higher returns in the bond market by adding duration to their fixed-income portfolios. Real returns from fixed income—after accounting for inflation—are now at multi-decade highs, offering investors a chance to balance risk while generating income.

On the equity side, while valuations are stretched in some areas, I believe that there are still opportunities in small- and mid-cap stocks. We remain active in managing asset allocation and rebalancing portfolios to navigate potential market volatility.

Please feel free to reach out to me or anyone on our team if you have any questions. And, as always, thank you for your continued trust in us.

Regards,
Tim

Listen to my interview on Sirius XM’s Business Briefing: <https://youtu.be/URCKH5TQpa4?si=TzpkZdtKEvQnWDio>

Timothy Davis, CFP®
Executive Managing Director – Wealth Manager
Partner
Davis Executive Wealth Management Group

Steward Partners Global Advisory
One International Place, Suite 3210
Boston, MA 02110
(Direct) 617-377-4418
(Office) 617-377-4422
(Toll Free) 888-371-0086
(Fax) 857-233-2966

t.davis@stewardpartners.com

<https://www.davisexecutivewealth.com>

<https://www.linkedin.com/company/timothy-davis-executive-wealth-management>



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