

Good afternoon. According to Tom Essay at The 7's Report, the S&P 500 saw its worse one-day drop yesterday, September 26, 2023, since March with a drop of 1.47%. Some tech stocks were down as much as 4+%. So, what exactly happened?

There were 2 economic reports that were released:

- 1) Consumer Confidence (think consumer spending) dropped by 5.7 points to 103 while the estimates were for 105.8
- 2) Housing prices unexpectedly rose (which is inflationary). Too add to those worries, Fed Governor Kashkari released an essay which stated there would be a 40% chance of significantly higher rates. No offense to Mr. Kashkari but the Fed's crystal ball on interest rates has been about as wrong as it could be for the last 2 years so in my opinion, this needs to be taken with a grain of salt.

No matter what the reason, the market seems to be looking for any excuse to go down and now we have the often cited CNN Fear/Greed index at extreme levels <https://www.cnn.com/markets/fear-and-greed> which is a great counter-trend indicator to start leaning in to getting more aggressive, not more conservative. At this point, we are maintaining our present asset allocation but are starting to lean in the direction of decreasing our Market Neutral position for accounts we manage with discretion. With the S&P 500 at 4273, valuations have come back down to more reasonable levels. Regarding bonds, our team still believes this market presents a decade+ opportunity to lock in higher yields. This represents a position that goes against so-called conventional wisdom which is that much more reason for me to believe it's a good long-term call.

I welcome any comments or questions.

PS – One quick note on the Government Shutdown and UAW strike since it has received so much coverage in the press. Looking back at past government shutdowns, and there have been dozens, they historically have little to no impact on the economy and/or markets since everyone gets paid at the end of the day and it rarely lasts long. The UAW strike most likely results in the same outcome: little to no impact to the economy or the markets. It does, however, give the TV networks plenty to talk about.

Regards,

Tim

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