

### **Monthly Market Commentary**

Well, we have officially entered the Fall Season! While warmer weather seems to be hanging on by a thread, the mornings are bringing near freezing temperatures. As those temperatures begin to drop, it might be a good time to visit a pumpkin patch, enjoy the seasonally available coffee, and enjoy a bonfire. Finally, as we head into the colder months, we hope that you can all remain healthy!

Globally, all major asset classes continue to be volatile and are now squarely in bear market territory as we end the month of September. Markets finally seem to be getting the memo that the FED is serious in its endeavor to get inflation under control. To achieve its goal, the FED is aggressively tightening monetary policy even at the cost of causing short term pain in the economy and asset markets. With an economy that is already slowing, tightening only further exaggerates downside pressure by causing demand destruction with a hope that inflation will be tamed as a result. However, contrary to popular belief, in this cycle, the spike in inflation has not been caused entirely due to demand but also factors like supply chain issues, structural underinvestment in capacity, and the war in Ukraine. Without a viable solution to the structural supply side issues, only demand destruction may not necessarily eliminate the problem of inflation over the longer term.

On the fundamental side, we are entering the 3<sup>rd</sup> quarter earnings season, which should give more indication of the underlying dynamics with respect to demand and cost pressures at the company level. Consensus expectations for growth currently remain at elevated levels and we believe earnings will be further revised down to reflect the current economic environment. Further, leading indicators like PMI's and housing data continue to signal slowing while lagging indicators like employment remain resilient so far. We want to reaffirm that we are far from having this cycle play out before we start seeing improvements in the economy on the other side. This has been the primary reason for us to stay cautious all year and remain patient until the economy shows signs of improvement.

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