

FINANCIAL FOCUS



A Pegasus Newsletter[©]

October 2023

Dear friends,

With summer coming to a close, seemingly in an instant, the fall and storm season are quickly picking up. The Federal Reserve has continued on its mission to bring inflation under control with the tools that it has at its disposal. Higher interest rates have started to affect many parts of the economy and only time will tell if the actions taken will solve the problems faced. We hope you had a great summer and that you stay safe through the hurricane season here on the east coast. As always, please feel free to reach out with any questions or concerns.

By, Jaysen Bohrod, CFA

Market Commentary

As the third quarter of 2023 comes to a close, we have seen the momentum shift in the opposite direction in the equity and bond markets. Continued strength of economic data has given the Federal Reserve all the reason to remain on the path of higher interest rates for longer to achieve their stated goal of a 2% long run inflation rate. Weekly jobless claims have continued to decrease, while the seasonally adjusted unemployment rate rose from 3.5% to 3.8%. Inflation has remained sticky with the Consumer Price Index rising .6% in August and 3.7% since August 2022. Energy and food prices were the biggest contributors to the rise, with gasoline prices accounting for over half of the increase. (USDOL)

The major equity indices, which saw positive movement in the first half of the year, thanks to the developments and prospects of artificial intelligence, have cooled off in the past three months. The Dow Jones Industrial Average has decreased 2.62% in the third quarter, bringing its year to date performance to 1.09%. The S&P 500 saw a 3.65% decrease in the third quarter, although still up 11.68% for the year. The Nasdaq Composite recovered to early 2022 levels for a 28% increase for the year, but has met tough resistance as of late, seeing back to back negative monthly returns for the first time this year, finishing down 3.5% for the quarter.

US Treasury yields continued to climb as the Fed remained on its path of higher rates. The spread between the 10 year Treasury and the 2 year Treasury has begun to narrow from historically wide levels, mostly due to the longer rates rising faster than the shorter rates. The steepening interest rate curve and the narrowing spread between the long and short end of the curve are commonly referred to as a “Bear steepening curve”, which suggests that investors expect higher interest rates and inflation to be higher for longer. The 2 Year Treasury yield is sitting at 5.11%, increasing 23.2 basis points since the end of June. The 10 Year Treasury is currently yielding 4.676%, increasing 85.7 basis points this quarter.

Oil prices have quickly rebounded from the lows of the year after Saudi Arabia and Russia plan to continue production cuts which will most likely result in supply shortages, effectively propping up prices for the near term. Brent Crude, considered the benchmark for global oil prices, has risen from just under \$75 a barrel at the end of June to \$91 a barrel, a 21% increase in just 3 months.

Gold and Silver prices have remained relatively stable the past few months, with no change since July 1. Gold has remained flat since January 1 at a price of \$1,843 per ounce, while the price of silver has fallen 11.5% to \$21.36 per ounce.



NUMBERS TALK

- Percentage that the 10 largest companies make up in the S&P 500.....28.2%
- Bitcoin price as of September 27, 2023.....\$26,160.20
- Mean market cap of S&P 500 stocks as of August 31, 2023.....\$78.876 Billion
- Estimated number of iPhones sold since 2007.....2.38 Billion
- Estimated lifespan of a \$100 bill.....15 Years
- Number of \$2 bills still in circulation.....1.2 Billion
- Percentage of trades in US markets made by computer algorithms.....90%
- Percentage of millennials that have taxable investment accounts.....22%
- Average amount of student loan debt per borrower.....\$37,338

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-Select the date you want the balance letter for & click “Go”

Stock Market Holidays

November 23 – Thanksgiving

November 24 – Pegasus is Closed

December 25 – Christmas

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