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Weekly Wire

Higher for Longer

By Rusty Vanneman, CMT, CFA, BFA™

Interest rates remaining at higher levels for longer than expected is increasingly becoming the primary concern for many investors. Depending on the maturity, we're witnessing the highest yield levels in over 20 years for shorter maturities and over a dozen years for longer-term bonds. Mortgage rates are also at their highest levels in over 20 years. The Federal Reserve's September 20th meeting witnessed revisions to the "dot plots," suggesting that the Fed is thinking rates will be higher for longer. The Fed indicated it's likely there will be one more rate hike this year, though interestingly the market doesn't necessarily agree with that notion yet. The market even believes there will be multiple rate cuts next year.

Given that current inflation and employment data supports the Fed's current views and actions, it's interesting the market is apparently fading what the Fed is saying. Many investors are adding longer maturity bonds back into their portfolios. That might be the right call, but given that stock market prices are higher this year and credit spreads are tighter I would argue there is still a good possibility of a "pain trade" toward higher rates. As I learned early in my career, the market tends to move in the direction that causes the most pain for investors.

As for potential market-moving events this coming week, beyond watching interest rates we will see more key inflation data as the Fed's preferred inflation indicator, the Personal Consumption Expenditures, is released Friday. It is also the last week of the quarter, and given recent losses the only positive asset classes on the quarter are currently diversifying assets, such as real assets/commodities and alternatives/liquid alts.

Add it all up...

Stay invested. Stay diversified. Stay disciplined.

Key Economic Data Last Week

Data Point	Expectation	Actual
Housing Starts	1.43M	1.28M
Fed Interest Rate Decision	Pause	Pause
US Leading Economic Indicators	-0.5%	-0.4%
Existing Home Sales	4.10M	4.04M
Flash Services PMI	50.8	50.2
Flash Manufacturing PMI	48.3	48.9

Key Economic Data This Week

Data Point	Expectation	Release Date
New Home Sales	698,000	9/26/2023
Durable Goods Orders	-0.5%	9/27/2023
Personal Income	0.5%	9/29/2023
Personal Spending	0.5%	9/29/2023
Personal Consumption Expenditures	-	9/29/2023
Core PCE	-	9/29/2023



Mind Over the Market

The dividends of good financial advice are time and money to spend on what matters.

The Behavioral Investor, Dr. Daniel Crosby



Trivia

Who was the first U.S. billionaire?

[Henry Ford](#)