As we approach the final innings of 2023, interest rates remain one of the key drivers of equity market performance. Higher rates make future earnings worth less in today's dollars. As a result, valuation multiples must decrease along with stock prices. That is what happened over the last three months.

Equity markets finished the quarter generally lower than where they ended the second quarter. The technology heavy NASDAQ held sizeable gains but corrected from its midyear high. The US Dollar rallied making US assets more attractive relative to the remainder of the globe. The ten-year Treasury yield resides around 5% and the Federal Open Market Committee has signaled a pause in hikes. For now, it appears this is the new neutral. Inflation is subsiding and the US consumer continues to appear resilient. Overall, markets are functioning rationally.

The broad-based selloff since July should be looked at as healthy. Generally, a clearing event like this creates technical oversold conditions. This makes a new base for equity valuations from which prices can rally. Therefore, we are comfortable holding a neutral allocation relative to our target amount of equity exposure.

Market Performance:

S&P 500:	13.07%
S&P 400:	4.09%
Russell 2000:	2.50%
NASDAQ:	35.13%
MSCI World ex-US:	5.42%
US Agg. Bond:	-1.03%

Despite the short selloff last quarter, absolute performance remains quite good. Equities around the globe held their year-to-date returns. Once again, the US outperformed foreign and large capitalizations outperformed small. This is due to the bias towards US large technology companies. Interestingly, Value orientation outperformed Growth abroad, perhaps indicating a flight to quality in developed foreign equities. Growth continues to outperform in the US. US Bonds and cash now offer compelling returns of over 5% with no risk and this has diverted funds from equities aiding the weakness in equity prices.

Portfolio positioning:

We've made it through September without a sizeable market event. This is the only negative month for equity prices. The third year of a presidential election cycle is historically good for equities. We expect the remainder of the year to follow this decree. Therefore, we continue to prefer a neutral allocation for equity portfolios. We will continue to balance this with income planning needs. Overall, global markets and your individual allocations are producing returns within expectations. This is good. Slow and steady wins the race…

We look forward to connecting with you soon.

-Fountainhead Financial, LLC.