Hello to our Trinity Family

I hope that you are enjoying the beautiful sunshine today and looking forward to wonderful weather this weekend. During our weekly office meeting today, we were confronted with the scary fact that we only have 5 weeks until Thanksgiving, and only 9 weeks until Christmas.

With the spirit of Christmas just around the corner, I was hoping that Powell would keep the rates as is for another session, but I believe that he is bound and determined to raise them one more time when the Fed meets on October 31st & November 1st. They will meet again on December 12th & 13th, and I expect the rates to remain the same at that meeting. I still believe that the Fed will begin lowering rates in the early spring of 2024. I know, though I don't understand, that Powell wants the economy to come to almost a complete stop, but I have a hard time believing that he will want the economy to stay stagnant too long.

The only reason Powell is considering another rate hike is because the economy is still showing strength. Although, the banks, especially the regional banks, are starting to feel the pain with the higher rates. The banks may be attracting more CD deposits with the higher rates, but they have to loan the money in order to be profitable. If the rates are too high, the consumer will stop borrowing, and I believe that is what is beginning to happen now.

So, there are a couple scenarios and options at play depending on your time horizon and the purpose for the money:

- Assets are currently in Equities: As the interest rates have risen over the past year, we have experienced a decline or stagnation in the various share prices. One thing to remember is if the rising rates caused the markets to decline, will not the opposite happen when the rates begin to come down? Yes, they will. So, if you have a longer time horizon, you can stay the course and allow dividends and capital gains to be reinvested at a lower share price.
- Requiring income now or in the near future: Most of the income portfolios that I have been reviewing during the past few weeks have remained flat over the past 4-7 months. This is in part due to the dividends being generated by the "growth & income" funds as well as the share price remaining steady or increasing ever so slightly. One could make the case that shifting to a bond fund now would make sense due to the higher yield, but we would have to monitor closely because as the rates begin to decline the equities should start to increase, so another reallocation would have to take place. For the most part, if a portfolio is already structured to generate income, I believe it may be best to stay as is.
- Assets are in a Money Market account: This is a personal decision and has more to do with your risk tolerance. The American Funds US Govt MMKT is yielding about 4.9% as of Sept 30th. While this is a good safe haven rate because there is hardly any threat to the principal, we have to remember that the MMKT fund provides no upside growth potential if the rates begin to decrease. Also, the MMKT yield will correlate with the Fed rate if it begins to decrease. I believe that reallocating money from the MMKT fund into a bond fund, or I believe a better option would be a "growth & income" equity fund, may be a wise strategy to consider.
- Some of our products utilize managed index accounts which have not been doing well during this period. Depending on the individual's circumstance, we have been transferring a portion of the managed index to a product with a much more competitive fixed rate.

I normally try to avoid going into this much detail, but I truly want you to know that no matter your situation, you may have options available to you. Please, do not hesitate to call me anytime, even if over the weekend to discuss your options. You can call me on my cell, 815-973-3636

Have an enjoyable weekend and enjoy the sunshine.

Take care,

Brett