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President & CEO

The Markets (as of market close July 31, 2023)

Dear Clients,

Stocks closed higher in July, with each of the benchmark indexes listed here posting notable gains. Both the stock market in particular, and the economy in general, have proven to be resilient in 2023, despite rising interest rates.

The Federal Reserve, in its endeavor to bring inflation down to the government's 2.0% target, hiked interest rates another 25.0 basis points in July, to the highest level in 22 years (see below). However, there are clear signs that inflation is finally receding. The Consumer Price Index and the personal consumption expenditures price index saw their respective 12-month rates fall to the lowest levels in nearly two years. Import and export prices dipped lower in July, as did producer prices.

The battle to reign in rising prices has also been waged throughout much of the world. While several countries in Europe and Canada have seen inflationary pressures begin to slide, they remain above preferred target rates.

Consumer spending, the bellwether of economic growth, continued to increase, although not quite at the pace set earlier in the year. The same can be said for gross domestic product, which accelerated in the second quarter and has continued to advance since the second quarter of 2022.

Employment also remained strong, with more than 200,000 new jobs added, while the unemployment rate sat at 3.6%. Wages continued to rise, however, increasing nearly 4.5% over the last 12 months. Unemployment claims are up from a year ago (see below) but remain well under the ballooning figures seen during the height of the COVID pandemic.

While many economic indicators showed strength last month, several sectors retreated. The housing market has retreated, primarily due to lack of inventory and advancing mortgage rates. Sales of new and existing homes floundered, although home prices remained strong.

Industrial production declined (see below), having fallen for two straight months. According to the latest survey from the S&P Global US Manufacturing Purchasing Managers' Index™, purchasing managers also noted a retraction in manufacturing.

While the economy remained relatively strong, the stock market proved equally robust. The S&P 500 and the Nasdaq enjoyed five straight months of gains, closing out their best seven-month stretch to start the year since 1997. Year to date, the Nasdaq is up more than 37.0%, while the S&P 500 exceeded 19.0%. In July, the Dow saw a run of 13 consecutive sessions with gains.

Last month, all of the market sectors advanced. Some notable performers included energy (8.0%), communication services (7.8%), financials (5.7%), and materials (4.0%). Information technology rose 4.5%, driven higher by rising artificial intelligence stocks.

Bond prices fell lower in July, with yields increasing over the previous month. Ten-year Treasury yields rose 14.0 basis points from June. The 2-year Treasury yield ended July at 4.85%, down 7.0 basis points from a month earlier. The dollar dipped lower against a basket of world currencies. Gold prices ended July higher. Crude oil prices climbed in July for the second straight month. After falling for much of the year, a cutback in crude oil production has driven prices higher. Rising oil prices also impacted prices at the pump. The retail price of regular gasoline was \$3.596 per gallon on July 24, \$0.025 higher than the price a month earlier but \$0.734 lower than a year ago.

Stock Market Indexes

Market/Index	2022 Close	Prior Month	As of July 31	Monthly Change	Year to Date Change
DJIA	33,147.25	34,407.60	35,559.63	3.35%	7.28%
NASDAQ	10,466.48	13,787.92	14,346.02	4.05%	37.07%
S&P 500	3,839.50	4,450.38	4,588.96	3.11%	19.52%
Russell 2000	1,761.25	1,888.73	2,003.18	6.06%	13.74%
Global Dow	3,702.71	4,103.46	4,257.15	3.75%	14.97%
Fed. Funds	4.25%-4.50%	5.00%-5.25%	5.25%-5.50%	25 bps	100 bps
10-yr Treasuries	3.87%	3.81%	3.95%	14 bps	8 bps
US Dollar-DXY	103.48	102.93	101.89	-1.01%	-1.54%
Crude Oil-CL=F	\$80.41	\$70.47	\$81.76	16.02%	1.68%
Gold-GC=F	\$1,829.70	\$1,926.20	\$2003.70	4.02%	9.51%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Latest Economic Reports

- **Employment:** Employment rose by 209,000 in June from May compared with an average monthly gain of 278,000 so far this year. In June, employment trended upward in government, health care, social assistance, and construction. The unemployment rate edged down 0.1 percentage point to 3.6%. In June, the number of unemployed persons fell by 140,000 to 5.9 million. The employment-population ratio, at 60.3%, and the labor force participation rate, at 62.6%, were unchanged in June from the previous month. Both measures have shown little net change since early 2022. In June, average hourly earnings increased by \$0.12 to \$33.58. Over the 12 months ended in June, average hourly earnings rose by 4.4%. The average workweek in June, at 34.4 hours, edged up 0.1 hour from May.

- There were 221,000 initial claims for unemployment insurance for the week ended July 22, 2023. The total number of workers receiving unemployment insurance was 1,690,000. By comparison, over the same period last year, there were 211,000 initial claims for unemployment insurance, and the total number of claims paid was 1,317,000.

- **FOMC/interest rates:** The Federal Open Market Committee raised the federal funds target range rate by 25.0 basis points in July, bringing the target range for the federal funds rate to its highest level since 2001. The Committee noted that inflation remained elevated, while economic activity expanded at a moderate pace. Job gains have been robust, and the unemployment rate remained low. The FOMC statement indicated that the U.S. banking system was sound and resilient. Overall, the FOMC will base its decisions on available data and "will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."

- **GDP/budget:** Economic growth remained steady in the second quarter, as gross domestic product increased 2.4%, compared with a 2.0% increase in the first quarter. The acceleration in second-quarter GDP compared to the previous quarter primarily reflected increases in private inventory investment and nonresidential fixed investment. Consumer spending, as measured by personal consumption expenditures, rose 1.6% in the second quarter compared to a 4.2% increase in the first quarter. Consumer spending on long-lasting durable goods inched up 0.4% in the second quarter after advancing 16.3% in the prior quarter. Spending on services rose 2.1% in the second quarter (3.2% in the first quarter).

Nonresidential fixed investment increased 7.7% after rising 0.6% in the first quarter. Residential fixed investment fell 4.2% in the second quarter, little changed from the first quarter (-4.0%). Exports decreased 10.8% in the second quarter, following an increase of 7.8% in the first quarter. Imports, which are a negative in the calculation of GDP, decreased 7.8% in the second quarter after advancing 2.0% in the previous quarter. Consumer prices increased 2.6% in the second quarter compared to a 4.1% advance in the first quarter. Excluding food and energy, consumer prices advanced 4.8% in the second quarter (4.9% in the first quarter).

- The federal budget had a \$227.8 billion deficit in June, well above the year-earlier deficit of \$88.8 billion. The deficit for the first nine months of fiscal year 2023 was \$1.393 trillion compared to \$515.1 billion through the comparable period of the previous fiscal year. In June, government receipts totaled \$418.3 billion for the month and \$3.413 trillion for the current fiscal year. Government outlays were \$646.1 billion in June and \$4.805 trillion through the first nine months of fiscal year 2023. By comparison, receipts in June 2022 were \$460.8 billion and \$3.835 trillion through the first nine months of the previous fiscal year. Expenditures were \$549.6 billion in June 2022 and \$4.350 trillion through the comparable period in FY22.

- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, consumer spending increased 0.5% in June and 9.1% since June 2022. Personal income and disposable personal income rose 0.3% in June, following a 0.5% increase in May. Consumer prices rose 0.2% in June, as did prices less food and energy. However, prices have risen 3.0% since June 2022. This is the lowest 12-month increase in consumer prices since the year ended in March 2021.

- The Consumer Price Index rose 0.2% in June after increasing 0.1% in May. Over the 12 months ended in June, the CPI advanced 3.0%, down from 4.0% for the year ended in May. This is the lowest 12-month rate since March 2021. Excluding food and energy prices, the CPI rose 0.2% in June and 4.8% over the last 12 months, marking the lowest 12-month rate since October 2021. Prices for shelter, which rose 0.4%, contributed more than 70.0% of the overall increase in the June CPI. Also advancing in June were prices for food (0.2%), energy (0.6%), and apparel (0.3%). For the 12 months ended in June, food prices have increased 3.0%, while energy prices have fallen 16.7%.

- Prices that producers received for goods and services inched up 0.1% in June, following a 0.3% decline in the previous month. Producer prices increased 0.1% for the 12 months ended in June, the lowest 12-month rate since August 2020. Driving the overall increase in producer prices was a 0.2% jump in prices for services. Goods prices were flat. Producer prices excluding food and energy rose 0.1% in June and 2.4% for the year. Energy prices rose 0.7% in June but fell 23.9% since June 2022. Food prices dipped 0.1% in June but were up 0.2% for the 12 months ended in June.

- **Housing:** Sales of existing homes decreased 3.3% in June. Since June 2022, existing-home sales dropped 18.9%. According to the report from the National Association of Realtors®, sales have fallen 23.0% during the first half of the year. In June, total existing-home inventory sat at a 3.1-month supply at the current sales pace. The dearth of available homes for sale has negatively impacted transactions. The median existing-home price was \$410,200 in June, the second-highest price of all time and down only 0.9% from the record-high of \$413,800 in June 2022.

Sales of existing single-family homes dropped 3.4% in June and 18.8% from June 2022. The median existing single-family home price was \$416,000 in June, up from the May price of \$401,500 but well below the June 2022 price of \$420,900.

- New single-family home sales declined in June, falling 2.5%, marking the first monthly decrease since February. Despite the June decrease, sales were up 23.8% from a year earlier. The median sales price of new single-family houses sold in June was \$415,400 (\$417,300 in May). The June average sales price was \$494,700 (\$488,700 in May). The inventory of new single-family homes for sale in June increased to 7.4 months, up from 7.2 months in May.

- **Manufacturing:** Industrial production declined 0.5% in June after falling 0.2% in May. Manufacturing decreased 0.3% in June, driven lower, in part, by a 3.0% decrease in motor vehicles and parts, and a 1.6% decline in petroleum. In June, mining slid 0.2%, while utilities dropped 2.6%. Total industrial production in June was 0.4% below its year-earlier level. Most major market groups posted declines in June. Consumer durables fell 2.7%, led by decreases in appliances, furniture, and carpeting (-3.8%) and automotive products (-3.6%). The decrease of 0.9% for consumer nondurables reflected declines in clothing (-2.1%), energy (-1.8%), and food and tobacco (-1.3%).

- New orders for durable goods rose for the fourth straight month after increasing 4.7% in June. Excluding transportation, new orders increased 0.6%. Excluding defense, new orders increased 6.2%. Transportation equipment, also up four consecutive months, led the increase, climbing 12.1%.

- **Imports and exports:** June saw both import and export prices decrease. Import prices fell 0.2%, following a 0.4% decline in May. The June drop in import prices was the fifth decrease out of the first six months of 2023. Imports declined 6.1% over the past year, the largest 12-month decrease since the year ended May 2020. Import fuel prices rose 0.8% in June, offset by a 0.4% decline in nonfuel import prices. Export prices fell 0.9% in June after declining 1.9% in the previous month. Lower prices for nonagricultural exports and agricultural exports in June contributed to the overall decrease. Export prices fell 12.0% from June 2022 to June 2023, the largest over-the-year decline since the series was first published in September 1984.

- The international trade in goods deficit fell \$4.0 billion, or 4.4%, in June. Exports of goods increased 0.2% from May, while imports of goods decreased 1.4%.

- The latest information on international trade in goods and services, released July 6, was for May and revealed that the goods and services trade deficit fell \$5.5 billion, or 7.3%, from April. Exports for May were \$2.4 billion, or 0.8%, below April exports. Imports were \$7.5 billion, or 2.3%, less than April imports. Year to date, the goods and services deficit decreased \$101.7 billion, or 22.8%, from the same period in 2022. Exports increased \$48.0 billion, or 3.9%. Imports decreased \$53.7 billion, or 3.2%.

- **International markets:** Inflation continued to be the dominant topic last month. In the United Kingdom, although consumer prices inched up 0.1% in June, the 12-month rate remained elevated at 7.9%, still about 6.0 percentage points higher than the Bank of England's target. In France, consumer prices rose 0.2% for the month, while falling from an annual rate of 5.1% to 4.5%. The 12-month rate of inflation in the Eurozone dipped from 6.1% to 5.5%, while Germany saw consumer prices remain at 6.4% for the 12 months ended in June. China, on the other hand, has seen consumer prices fall, which has depleted corporate profits and could lead to a reduction in the workforce. The prospects of Chinese deflation could benefit global trade partners, such as the United States, by easing product prices.

However, China's slowing economy could also reduce that country's demand for materials and consumer goods, which would negatively impact world trade. For July, the STOXX Europe 600 Index increased 2.3%; the United Kingdom's FTSE rose 2.3%; Japan's Nikkei 225 Index fell 1.7%; and China's Shanghai Composite Index ticked up 1.5%.

- **Consumer confidence:** Consumer confidence sits at the highest level since July 2021. The Conference Board Consumer Confidence Index® increased in July to 117.0, up from 110.1 in June. The July increase marked the second straight monthly gain in consumer confidence. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, improved to 160.0 in July, up from 155.3 in the previous month.

The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, rose to 88.3 in July from 80.0 in June. Importantly, according to the Conference Board's report, the Expectations Index climbed above 80.0, the level associated with a recession. Despite rising interest rates, consumers are more upbeat, likely reflecting falling inflation and a tight labor market.

We hope that you and yours are enjoying the summer. As we anticipate some volatility, we continue to be positive as we move into the fall and markets continue to work to strengthen and stabilize.

Warmest regards,

Financial Concepts Unlimited, Inc.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

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