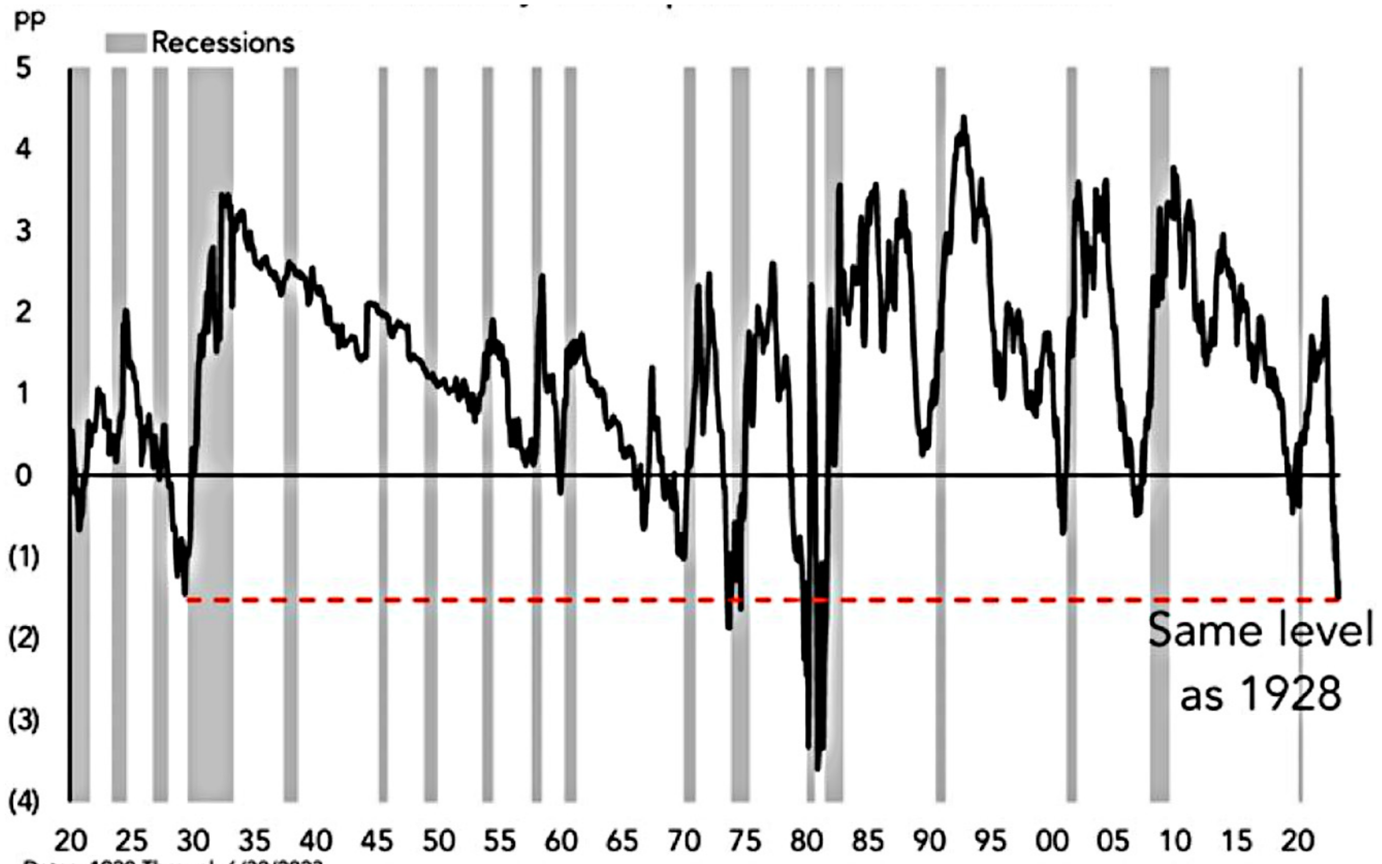
CHARTS OF THE MONTH

OCT 2023

ZERMATT™
WEALTH PARTNERS

2022 Inversion is at the Same Level as 1928

10-Year/3-Month U.S. Treasury Yield Spread and U.S. Recessions

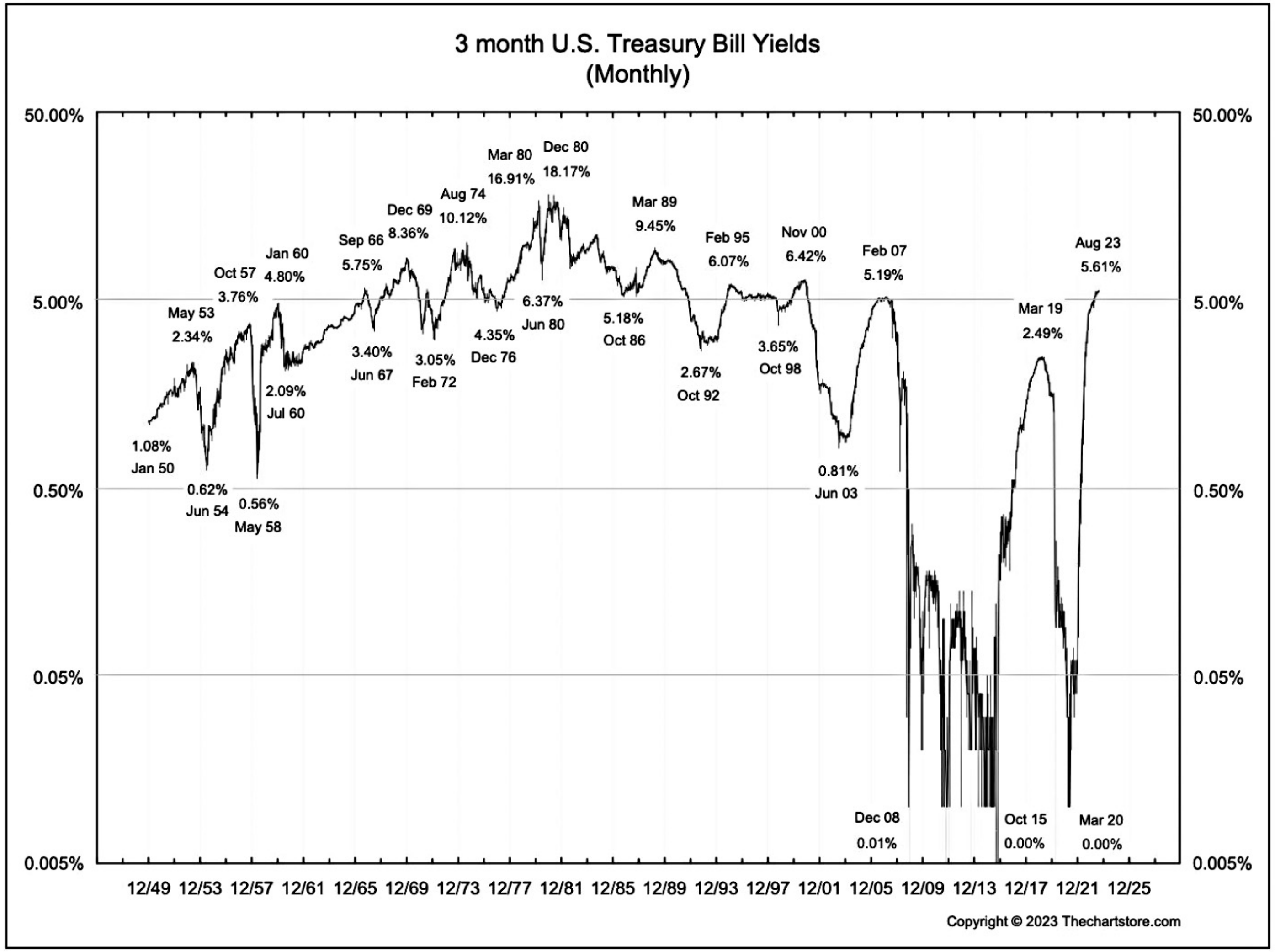


Dates: 1920 Through 6/30/2023.
Source: Bloomberg Finance L.P., National Bureau of Economic Research, Game of Trades.

We've witnessed a significant yield curve inversion. This phenomenon typically indicates a stringent monetary policy, with short-term yields surpassing long- duration yields.

Historically, there's been an average gap of 12 months between a yield curve inversion and a recession. Currently, we're approaching the 11-month mark since the inversion began.

YIELD CURVE | **CASH RULES** | HIGH YIELD | HIGH QUALITY



Short-term Treasury yields have reached levels unseen since their peak in 2007. Currently, investors benefit from maintaining liquidity. This marks a notable shift from the financial constraints and zero- interest rate strategies that have disadvantaged savers since the worldwide financial downturn.

ZERMATT™ WEALTH PARTNERS

SOFR Curve: Implied Short-Term Rate

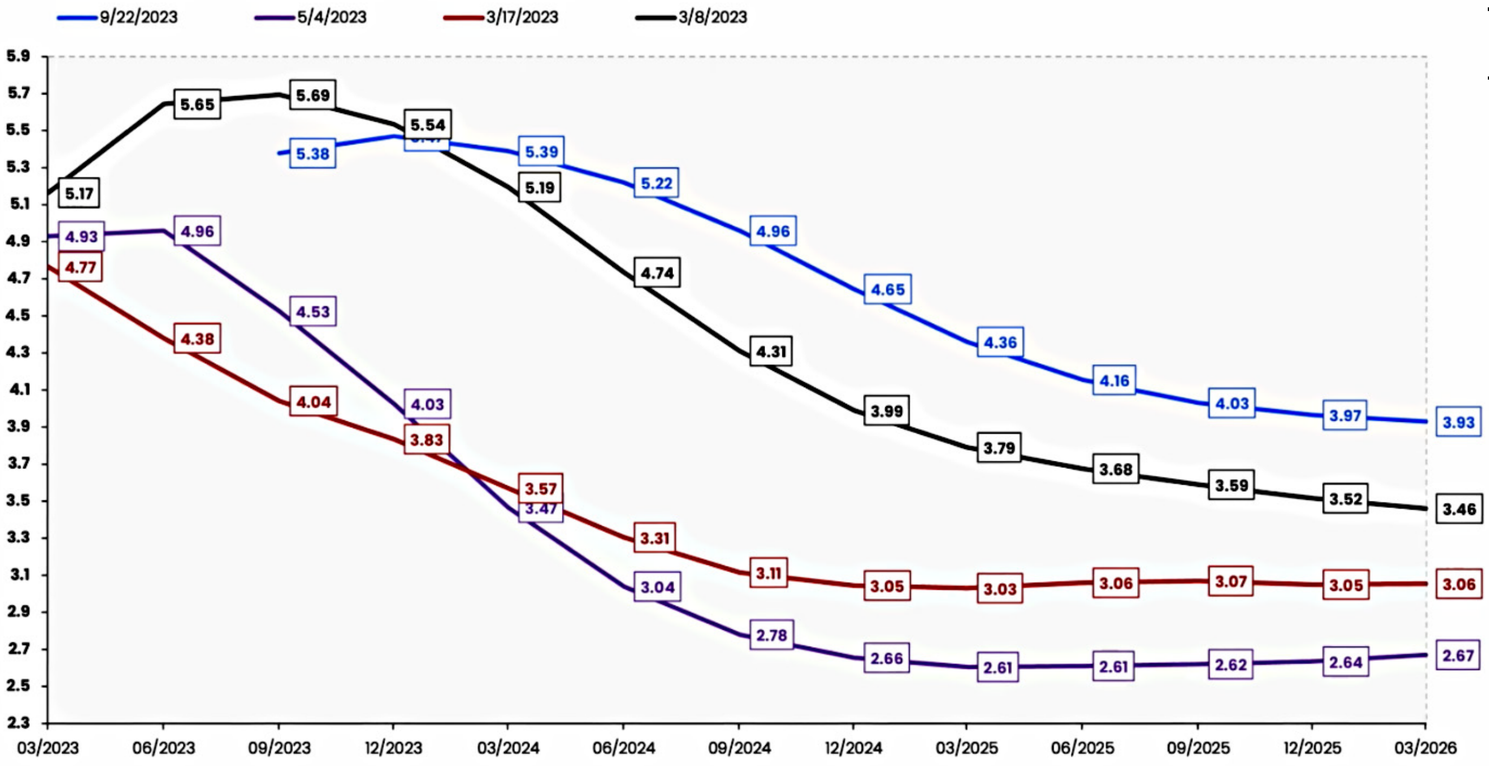


Chart: EPB Research • Source: Conference Board, Federal Reserve, BEA, BLS, Census Bureau

The implied curve for SOFR has trended upwards for an extended period due to the persistent strength of the cyclical economy and delayed impacts of monetary tightening. This has prompted the Federal Reserve to adopt a more hawkish approach.

High-yield spreads are below their long-term averages

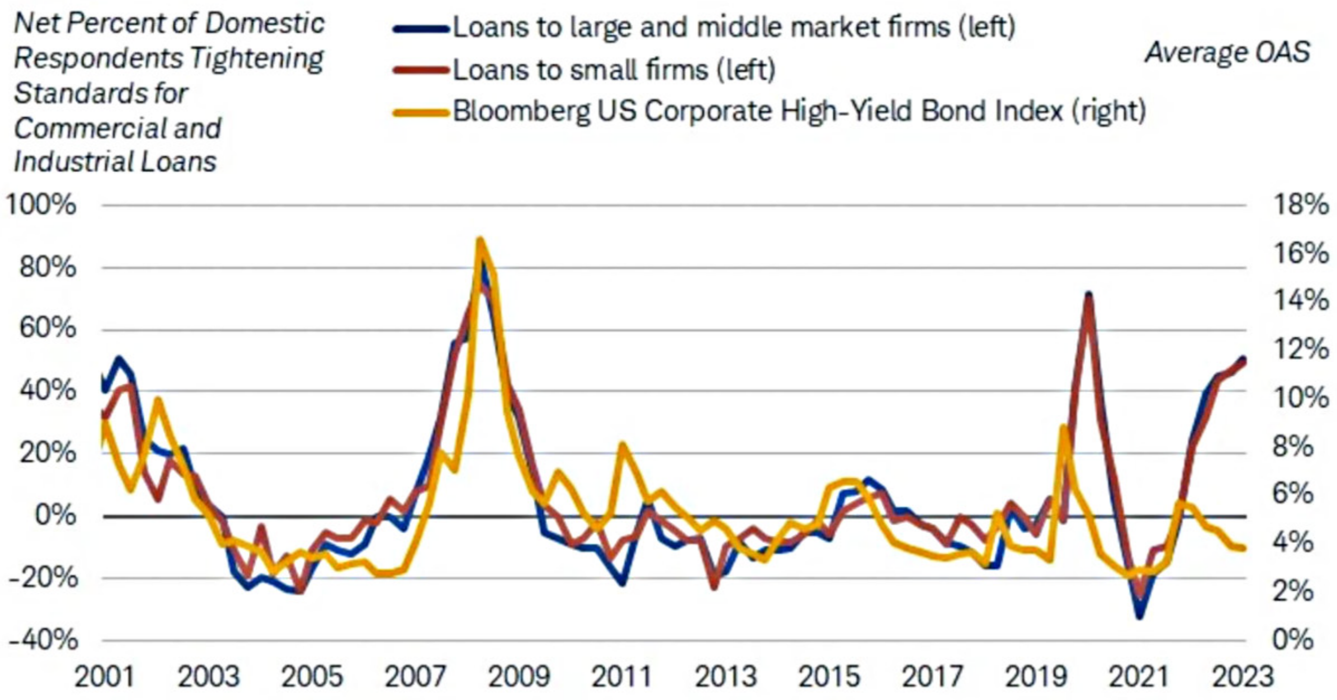
High yield spreads have not yet factored in a potential credit contraction and remain historically below the norm. We believe that these spreads don't sufficiently reward investors for the potential default risks and potential negative price responses to unfavorable economic shifts.

Source: Bloomberg, using weekly data as of 8/25/2023.

Bloomberg US High-Yield Corporate Bond Index (LF98OAS Index). Option-adjusted spreads (OAS) are quoted as a fixed spread, or differential, over U.S. Treasury issues. OAS is a method used in calculating the relative value of a fixed income security containing an embedded option, such as a borrower's option to prepay a loan. **Past performance is no guarantee of future results.**

ZERMATT™ WEALTH PARTNERS

Tighter bank lending standards have been accompanied by wider high-yield spreads in the past



Bank lending criteria have notably tightened due to a more hawkish monetary stance. Historically, high yield spreads have expanded in tandem with stricter credit standards. However, this trend hasn't been observed recently. Could the present situation be an exception? With the rise of ETFs and data sourcing primarily from the most traded bonds, have credit spreads evolved to be more of a concurrent indicator?

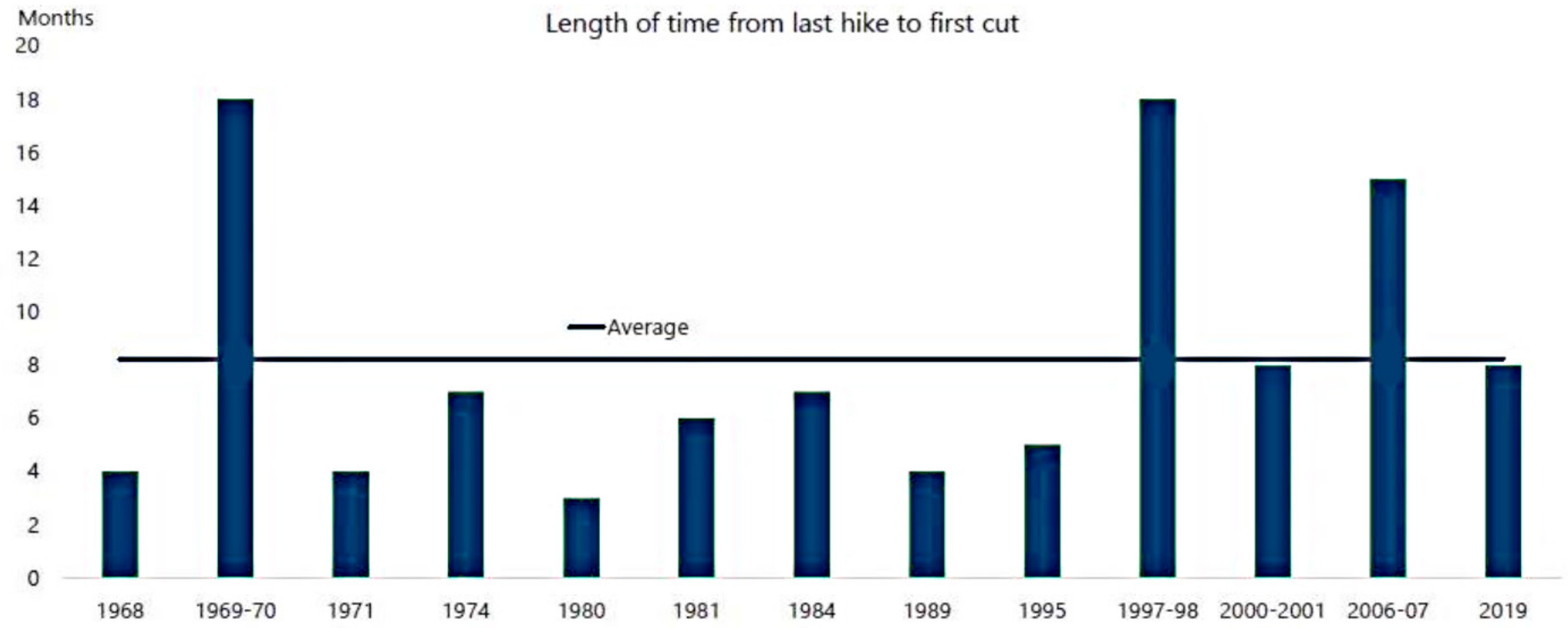
Source: Bloomberg, using quarterly bank lending data as of 3Q 2023 and corporate spread data as of 8/25/2023.

Net % of Domestic Respondents Tightening Standards - C&I Loans for Large/Medium (SLDETIGT Index), Net % of Domestic Respondents Tightening Standards for C&I Loans for Small Firms (SLDETGTS Index), and Bloomberg US Corporate High Yield Bond Index Average OAS (LF98OAS Index). **Past performance is no guarantee of future results.**

ZERMATT™ WEALTH PARTNERS

YIELD CURVE | CASH RULES | HIGH YIELD | **HIGH QUALITY**

It takes on average 8 months from the last Fed hike to the first Fed cut



Source: FRB, Haver Analytics, Apollo Chief Economist. Note: Discount rate used before 1988

204

It appears the Fed might have concluded its rate hikes for this cycle. Historically, there's been an eight-month lag before the Fed initiates rate cuts following an initial halt. Traditionally, market disruptions and the eventual shift towards safer assets tend to occur after the Fed begins its rate reductions.

ZERMATT™
WEALTH PARTNERS

DISCLOSURE

• This was prepared by Zermatt Wealth Partners, a federally registered investment adviser under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Zermatt Wealth Partners, Form ADV Part 2A & 2B can be obtained by written request directly to: 3170 Fourth Ave., 3rd Floor, San Diego, CA 92103. This is not solicitation or a recommendation to buy or sell a specific security and should not be relied upon for investment making decisions. Neither the information nor any opinion expressed should be construed as personalized investment, tax, or legal advice.

• Please note, this information is intended for educational purposes only. It does not address specific investment objectives, or the financial situation and the particular needs of any person who may receive this report. Please contact your Financial Advisor prior to making investment decisions.

• The information herein was obtained from various sources. Zermatt Wealth Partners does not guarantee the accuracy or completeness of information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. Zermatt Wealth Partners assumes no obligation to update this information, or to advise on further developments relating to it.