



THE RECAP - Q3 2023

THE MARKETS

The third quarter of 2023 proved to be quite challenging for equity markets across the globe. The pain was felt across all market capitalizations with the S&P 500 down 3.2% and the Russell 2000 down 5.1%. Energy commodity markets were strong in the third quarter leading to energy related equities outperforming their peers. The broad market energy sector (+12.2%), the oil and gas exploration sub-sector (+15.4%), and the oil and gas equipment and services (+22.7%) sub-sector were the strongest performing areas of equities markets from a sector perspective for the third quarter. Elsewhere, the top performing factor was quality (-1.9%), which is now the top performing factor for the year. The top performing style was mega cap growth yet again (-3%) as mega cap tech names now largely represent the quality factor as well.

Fixed income markets continued to face the pervasive headwind of rising interest rates in the third quarter. Throughout the quarter we saw treasury yields increase across the curve. The intermediate to long-end of the curve saw the steepest increases. The 10-year, 20-year, and 30-year treasury yields all increased north of 20% for the quarter. As a result of increasing interest rates, treasury bills and floating rate debt fared the best. Senior loans were your top performing asset class within fixed income (+2.7%) while floating rate bonds (+1.6%) and 0-3-month treasury bills (+1.3%) were next in line.

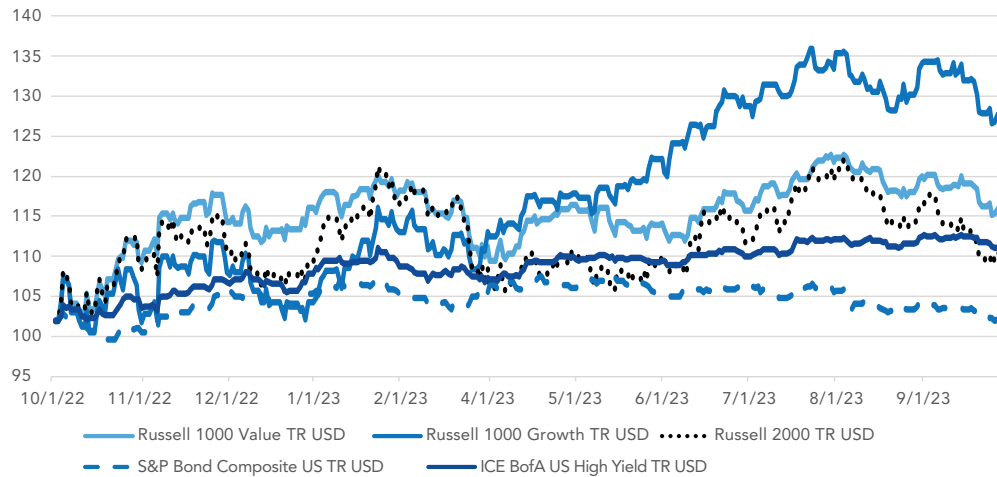
The third quarter was all about energy related commodities. Despite demand concerns from a slowing global economy, production cuts from OPEC countries continued to limit supply and led to oil being the top performing commodity (+28%). Industrial metals were the only other broad commodity category positive for the quarter (+3.5%).

THE ECONOMY

The economy continued to chug right along in the United States for the third quarter. As leading economic indicators continued to fall, coincident economic data largely remained steady for the quarter. The Conference Board Leading Economic Index fell month-over-month for each reported month in the quarter to maintain one of its longest consecutive monthly decline streaks (see the chart in the back for more detail). At the same time, The Conference Board's Coincident Economic Index was flat or positive month-over-month for each reported month in the quarter driven by industrial production and a strong labor market. As the labor market remained resilient, consumer spending stayed strong with consecutive month-over-month increases during the quarter, however, real retail sales remain negative on a year-over-year basis.

Depending on which data series you look at inflation is either cooling or beginning to increase again. The Federal Reserve's preferred inflation gauge of the Core PCE Price Index, which excludes energy and food, continued to fall reaching 3.9% on a year-over-year basis. However, most people need to eat and use energy related goods, which are represented in the PCE Price Index which had its third consecutive increase on a year-over-year basis ending the quarter at a rate of 3.5%. As we look forward to the fourth quarter, we will be playing close attention to the dynamic at play between economic growth, inflation, and the Federal Reserve's interest rate decisions. They have continuously communicated their willingness to do whatever it takes to curb inflation, but paused rate hikes in the third quarter as they evaluate the impacts of their already restrictive monetary policy. As the impact of elevated interest rates continues to filter its way through the financial ecosystem, we will be looking for any signs of evidence of economic recovery or further deterioration.

Market Performance



Source: Morningstar Direct 9/30/2023



Broad Market Equities	Sept 23	August 23	July 23	QTD	YTD
S&P 500	-4.90	-1.44	3.21	-3.27	13.07
Nasdaq 100	-4.77	-1.46	3.84	-2.86	35.37
Dow Jones Industrial	-3.85	-1.73	3.44	-2.10	2.73
Russell 2000	-6.04	-3.96	6.12	-5.13	2.54
Russell 3000	-4.85	-1.67	3.58	-3.25	12.39
Developed International	-3.79	-3.65	3.61	-3.97	6.44
Emerging International	-2.70	-4.83	5.90	-1.49	2.56

Equity Factors/Styles

Large Cap Value	-4.18	-2.40	3.52	-3.16	1.79
Large Cap Growth	-5.31	-0.75	3.37	-3.13	24.98
Momentum Factor	-4.84	0.43	1.73	-2.84	-3.00
Quality Factor	-5.08	-0.40	3.75	-1.91	16.83
High Beta Equities	-7.17	-4.99	5.50	-7.99	13.34
Low Volatility Equities	-4.41	-3.21	0.95	-5.77	-6.19
Dividend Growth Equities	-4.30	-2.34	3.39	-3.11	0.95

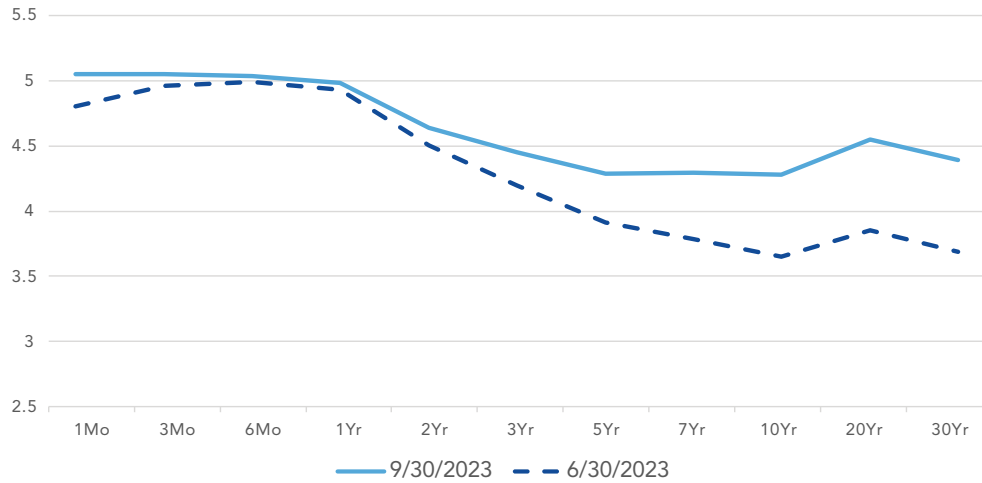
Fixed Income

Bloomberg US Aggregate	-2.38	-0.51	-0.07	-3.23	-1.21
High Yield Bond Index	-1.05	0.50	1.42	0.53	5.97
Intermediate Treasuries	-2.96	-0.64	-0.59	-4.41	-2.86
Investment Grade Corporate	-3.23	-0.90	0.24	-4.29	-0.44
Treasury Bills	0.46	0.50	0.44	1.34	3.71

Currencies/Commodities

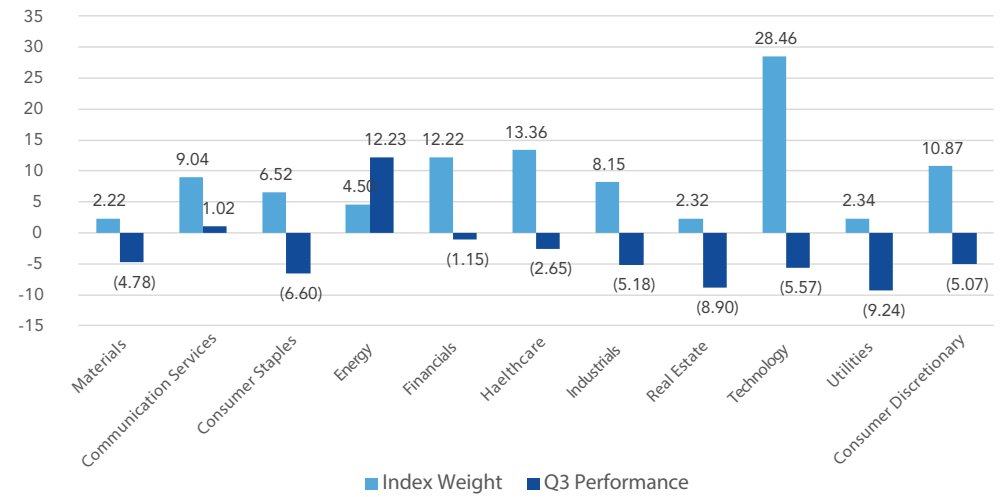
Commodities	-0.77	-0.62	6.26	4.71	-3.44
US Dollar	3.44	2.67	-0.49	4.88	7.60
Gold	-3.96	-0.61	3.05	-2.18	3.13
Brent Crude Oil	11.01	2.20	14.23	27.25	10.94

Yield Curve Changes



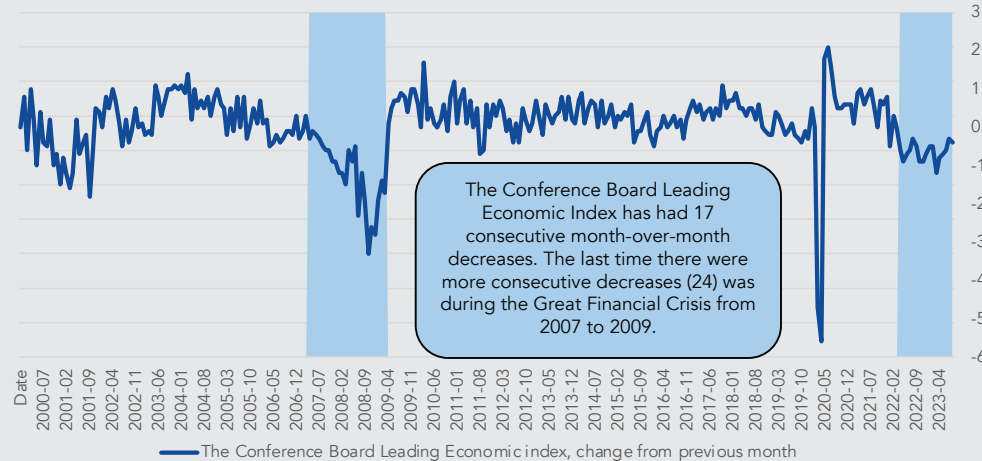
Source: Morningstar Direct 9/30/2023

S&P 500 Sector Performance and Weighting



Source: Morningstar Direct 9/30/2023

The Conference Board Leading Economic index, change from previous month



Source: The Conference Board 9/30/2023

Market Cap vs. Equal Weight S&P 500 through Q3 2023



Source: : Morningstar Direct 9/30/2023. The Magnificent Seven includes: AAPL, AMZN, MSFT, GOOGL, NVDA, TSLA, and META.

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.



3170 Fourth Avenue, 3rd Floor,
San Diego, CA 92103



(619)487-0808



hello@zermattwealth.com



zermattwealthpartners.com