

Monthly Market Commentary

We hope that you had a wonderful Labor Day Weekend. While we will miss the warm summer days, we can look forward to vibrant fall colors, football games, and apple picking at local orchards. As children return to school, we hope this season holds special memories for you with family and friends.

Markets were volatile again in August after some relief seen in the prior month as the FED remains committed to tightening financial conditions to curb inflation, even at the risk of an economic slowdown. Excess liquidity has somewhat perpetuated a spike in commodities, real estate, food prices, and housing. To add to the worries, the war in Ukraine has further strained supply chains as Europe is on the brink of a recession and faces soaring energy costs as we enter the winter months. With demand far exceeding supply, the only solution the FED sees is to slow demand thru policy tightening as they cannot impact prices directly. Curbing inflation remains the front and center objective because overtightening into an economy that is already slowing could cause unintended consequences. The latest set of leading economic indicators continued to trend lower. One indicator that is closely watched, the ISM manufacturing index, came in at 52.8 and was flat over the last month but has been consistently trending lower from its peak at 63.7 seen in March of 2021. As the overall economy cools, at the individual company level, earnings are at risk of a slowdown too with elevated margin pressure. With the current economic and policy backdrop, it remains pertinent to be proactively prepared for what's to come in the next few quarters as risks remain elevated and risk reward may still be skewed to the downside. Being patient affords us the opportunity to selectively add to assets where the skew may be more favorable over the longer term.

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