AMJ Financial Wealth Management
Weekly Market Commentary
September 25, 2023

The Markets

How high will they go?

Just as the market anticipated, the Federal Reserve Open Market Committee (FOMC) chose not to raise interest rates last week. However, Fed officials made it clear another rate increase might be necessary before the end of 2023 as continued economic strength, higher energy prices, robust consumer spending, and rising wages in a strong labor market have kept upward pressure on inflation.

FOMC economic projections indicate the Fed anticipates the effective federal funds rate will remain higher for longer than many hoped. The median projected rates were:

- 5.6 percent in 2023,
- 5.1 percent in 2024, and
- 3.9 percent in 2025.

Fed Chair Jerome Powell indicated that an economic soft landing – a slowdown in economic growth that results in lower inflation without a recession – remains a possibility, reported Howard Schneider and Michael S. Derby of *Reuters*.

Former Treasury Secretary Lawrence Summers warned that any expectation for a soft landing might be too optimistic as significant risks remain, including upward pressure on wages, slowing consumer spending, and higher borrowing costs, reported Chris Anstey of *Bloomberg*. As a result, it's possible the Fed could be surprised by weaker economic growth or higher inflation.

After the FOMC meeting, yields on bonds moved higher. The yield on a one-year United States Treasury bill finished Wednesday at 5.47 percent, and the yield on the benchmark 10-year Treasury note closed at 4.35 percent.

U.S. stock markets moved lower as investors considered the potential effects of high interest rates for longer. Rising interest rates (and tightening bank lending standards) make borrowing more difficult, lifting the cost of capital and lowering profits. When company profits drop, share price valuations tend to move lower, reported Mary Hall in *Investopedia*.

As investors mulled the Fed's outlook, the possibility of a government shutdown, and other factors, major U.S. stock indices finished the week lower, according to *Barron's*. Yields on U.S. Treasuries generally moved higher over the week.

Data as of 9/22/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-2.9%	12.5%	15.0%	9.2%	8.2%	9.8%
Dow Jones Global ex-U.S. Index	-1.8	5.1	13.8	1.8	0.4	1.2
10-year Treasury Note (yield only)	4.4	N/A	3.7	0.7	3.1	2.7
Gold (per ounce)	0.0	6.4	15.3	0.4	9.9	3.8
Bloomberg Commodity Index	-1.2	-5.8	-8.4	14.4	4.6	-1.9

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE RULES WILL CHANGE IN 2026. Since 2001, workers who are age 50 or older have been able to make catch-up contributions to their workplace retirement plans. As the name implies, the idea was to help people who are behind on saving for retirement catch-up by saving more. For example, if older plan participants reach the annual contribution limit of $22,500, then they can choose to contribute an additional $7,500 in catch-up contributions.

However, Secure 2.0 changed the rules for higher-income earners, reported Paul Mullholland in *PlanSponsor*.

Plan participants who earn $145,000 or more each year will no longer be able to make catch-up contributions to traditional plan accounts. Instead, higher-income earners in 401(k) and similar types of retirement plans must direct any catch-up contributions to Roth plan accounts.

As a reminder, contributions to traditional plan accounts are typically made with pre-tax dollars so they may help reduce the amount of taxes owed today. In addition, any earnings in traditional plan accounts grow tax deferred. Taxes are owed when a distribution is taken.

In contrast, contributions to Roth plan accounts are made with after-tax dollars. While there is no immediate tax benefit, the contributions and any earnings grow tax-free. Distributions are tax-free, too, after the account has been open for five years and the owner has reached age 59½.

The change was originally slated for 2024. However, many workplace retirement plans don't have designated Roth accounts, which presents a problem for higher-income earners who want to save more. To give plan sponsors and administrators time to adjust to the new rules, the change will now take place in 2026.

Secure 2.0 also included an opportunity for older retirement plan participants to supercharge their savings efforts. In 2025, participants who are between the ages of 60 and 63 can make bigger catch-up contributions – either $10,000 or 50 percent more than the regular catch-up contribution amount for the year.

If you have any questions about retirement plan contributions or how to generate enough income to live comfortably in retirement, please get in touch.

Best regards,

Angela M. Bender

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

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