Intrinsic Investors

Market Monitor

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- *A lot of things were higher in September, but not the stock market. Stocks had their worst outing for the year, but then September has a reputation for being unkind to equities.* Some things that were higher included energy prices, interest rates and the news that the Fed intends to pursue a policy of "higher for longer."

- *Adding to worries on Wall Street was the possibility of a government shutdown, which was averted at the last minute.* Analysts can debate all they like about whether this is good or bad. The bottom line is that once again D.C. politicians "kicked the can" out to mid-November instead of getting serious about reining in profligate spending.

- *In September, the national debt finally topped $33 trillion. The annual deficit is pushing $1.7 trillion.* To put those numbers in perspective, the current debt-to-GDP ratio is over 122%. In 2000, it was 51.66% and in 1980, when I started in business, it was 34.67%. At some point, something must change. Some folks want to raise your taxes, but where I come from, if you need more money, you must be more productive and less of a spendthrift. Just sayin'…

- *What does all this mean for investors? Well, it is not the end of the world. Inflation, which peaked last year near 10% (more if you had to eat, rent or drive a car).* However, last week, the preferred Fed measure of inflation showed a slight drop in the Personal Consumption Rate from 4.3 to 3.9. Also, Thursday's GDP number came in flat, but still positive.

- *So, while the economic data is still mixed and hopefully doesn't get worse, we still are monitoring the debate between the soft-landing and recession camps.* While I have no idea how things will play out, I can't ignore what our recession predictor is telling us. While the odds appear to be going down, it is interesting to note on the chart that this tends to occur just before we officially go into a recession. I will be watching this closely moving forward.

- *Looking ahead to the month ahead, earnings season officially begins this week. While year-over-year earnings are still shaky, forward forecasts have finally begun to show positive movement.* The forward price earnings ratio currently hovers around 16 which, while not great, is not exactly bad either. It's only a matter of time before the current situation runs its course. Meanwhile, we continue to sit on a bit more cash than usual looking for an entry point. Not all clients like that, but it is better than trying to catch a falling knife. We are investors, not gamblers. More next time!

- *Disclosures:*

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