



At Passage Wealth, it is important that you are well informed about what is happening in the markets. Here are a few of the key topics of conversation that deserve the most attention this month. If you have any questions or would like to continue the conversation, please reach out.

Another hot inflation report from September shows the Fed has a long way to go to get inflation under control. The Consumer Price Index rose 0.4% for the month and 8.2% over the prior year¹. While the annual increase is slightly slower than the 8.3% in August, there weren't many silver linings in the report. Core inflation, which excludes food and energy, has grown 6.6% over the past year, the most since the early 1980s. The fact that inflation isn't slowing down makes it increasingly likely the Federal Reserve will hike 75 basis points in their next policy meeting in November.

Equity markets have had a surprisingly mixed reaction to the latest inflation data. Despite that, the Fed's comments have indicated it is likely to continue to aggressively attack inflation, and Fed Chair Powell acknowledged that "[t]he chances of a soft landing are likely to diminish." In other words, the more aggressive the Fed raises interest rates in response to inflation, the more likely the economy will be damaged.

On the positive side, the labor market continues to run tight with 263K jobs added to the economy in September, though the gains were down a bit from August's 315K². The labor participation rate ticked down to 62.3%, from 62.4%, and the smaller labor force helped the unemployment rate drop to 3.5%. It's worth mentioning the report also noted some signs of weakness with layoffs in sectors that gained jobs during the pandemic.

Consumer sentiment rose to a six-month high in the University of Michigan's preliminary October report³. Despite the increase, sentiment remains at some of the lowest levels seen over the last 30 years. Not surprisingly, inflation continues to be a worry and consumers' short-term inflation expectations increased to 5.1%, which is the first time short-term expectations have increased since March.

The bottom line: The Fed is in a tough spot right now. Inflation remains their sole focus – even if that means some collateral damage in the economy and equity markets. We don't expect inflation to go away any time soon, so we expect equity and fixed income markets to remain volatile until the Fed signals an end to the rate hikes. All eyes are on the Fed's comments the first week of November to get a glimpse into how the Fed expects to end the year.

Sources:

1. Bureau of Labor Statistics, <https://www.bls.gov/news.release/cpi.nr0.htm>
2. Bureau of Labor Statistics, <https://www.bls.gov/news.release/empsit.nr0.htm>
3. University of Michigan, <http://www.sca.isr.umich.edu/>

Disclosures

The material presented includes information and opinions provided by a party not related to Thrivent Advisor Network. It has been obtained from sources deemed reliable; but no independent verification has been made, nor is its accuracy or completeness guaranteed. The opinions expressed may not necessarily represent those of Thrivent Advisor Network or its affiliates. They are provided solely for information purposes and are not to be construed as solicitations or offers to buy or sell any products, securities, or services. They also do not include all fees or expenses that may be incurred by investing in specific products. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. You cannot invest directly in an index. The opinions expressed are subject to change as subsequent conditions vary. Thrivent Advisor Network and its affiliates accept no liability for loss or damage of any kind arising from the use of this information.

Investment advisory services offered through Thrivent Advisor Network, LLC., a registered investment adviser and a subsidiary of Thrivent. Clients will separately engage a broker-dealer or custodian to safeguard their investment advisory assets. Review the Thrivent Advisor Network ADV Disclosure Brochure and Wrap-Fee Program Brochure for a full description of services, fees, and expenses. Thrivent Advisor Network LLC advisors may also be registered representatives of a broker-dealer to offer securities products.

This communication may include forward looking statements. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “seeks,” “could” or the negative of such terms or other variations on such terms or comparable terminology. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to differ materially.

Index Benchmarks presented within this report may not reflect factors relevant for your portfolio or your unique risks, goals or investment objectives. Past performance of an index is not an indication or guarantee of future results. It is not possible to invest directly in an index.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan.

Passage Wealth is a part of Thrivent Advisor Network, LLC ("Thrivent"), a Registered Investment Adviser ("RIA"), located in the State of Minnesota. Thrivent provides investment advisory and related services for clients nationally. Thrivent will maintain all applicable registration and licenses as required by the various states in which Thrivent conducts business, as applicable. Thrivent renders individualized responses to persons in a particular state only after complying with all regulatory requirements, or pursuant to an applicable state exemption or exclusion.

Investment advisory services offered through Thrivent Advisor Network, LLC., a registered investment adviser and a subsidiary of Thrivent. Advisory Persons of Thrivent provide advisory services under a “doing business as” name

or may have their own legal business entities. However, advisory services are engaged exclusively through Thrivent Advisor Network, LLC, a registered investment adviser. Passage Wealth and Thrivent Advisor Network, LLC are not affiliated companies. Information in this message is for the intended recipient[s] only. Please visit our website passage-wealth.com for important disclosures.