Quraishi
LAW & WEALTH

July 2023
Monthly Recap

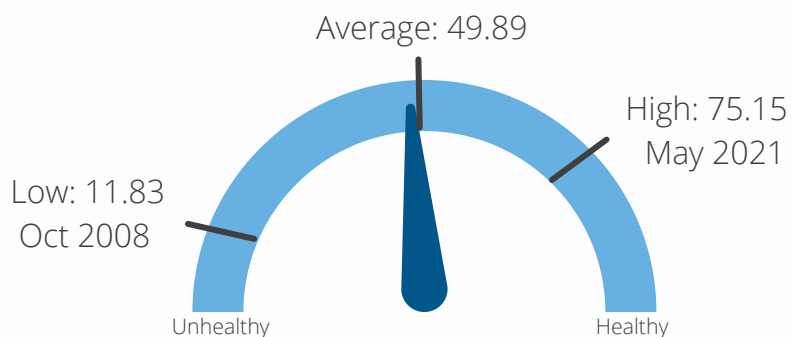## Market Health Indicator*

Average: 49.89

High: 75.15
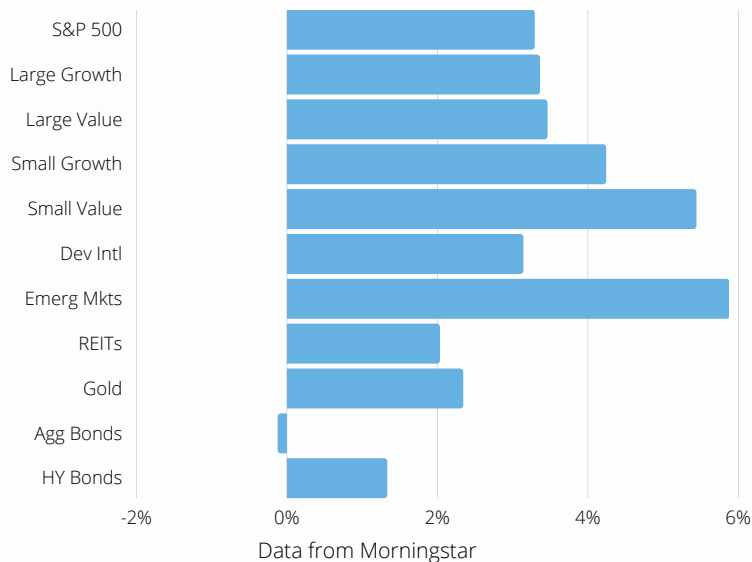May 2021

Low: 11.83
Oct 2008

Unhealthy

Healthy

Current Score: 47.79

Up from 42.53 last month, indicating improving conditions, nearing its long-term average amid mixed economic and market data

Market Data

Monthly Index Performance

Index	
S&P 500	
Large Growth	
Large Value	
Small Growth	
Small Value	
Dev Intl	
Emerg Mkts	
REITs	
Gold	
Agg Bonds	
HY Bonds	

-2%   0%   2%   4%   6%

Data from Morningstar

Talking Points

Inflation dropped from 4% to 3%, the 12th consecutive monthly decline as it continued to trend in the right direction

The labor market added 209,000 jobs, slightly below the expected 225,000, though unemployment fell to 3.6%

Consumer confidence jumped to 71.6, its highest level since October 2021, largely attributable to slowing inflation

The 10-year Treasury yield rose from 3.81% to 3.97% while the Fed hiked rates 25 bps as expected

Corporate credit spreads fell to the lowest levels since October 2021, indicating a declining risk of default

*The Market Health Indicator is a monthly indicator created in September 2021 that is designed to measure market health on a scale of 0 - 100, analyzing various market segments such as economics, technicals, and volatility using data back to January of 2000. Higher scores indicate healthier market conditions.

Model
Updates

Dynamic Growth	Increased exposure to small-cap, mid-cap, and emerging market stocks while reducing exposure to equal-weight S&P 500. This points to a continued broader level of market participation. The model has shifted toward a more diversified style box blend in recent months, with a slight tilt toward large-cap and growth.
Dynamic Growth PLUS	The model remained fully invested throughout the month as equities continued to rally and volatility remained muted. Markets have been relatively steady so far in 2023, so the model has been fully invested since late-2022. Its holdings are inline with the Dynamic Growth model weights while it continues to monitor market conditions on a daily basis.
Tactical Growth	There was a decrease to the bond hedge (from 14.94% to 4.42%) as broad market conditions improved. The model also removed its mid-cap exposure and replaced it with small-cap stocks, while also increasing exposure to the Nasdaq. These shifts result in a more risk-on allocation. Including gold, the model is approximately 14% hedged, compared to 23% last month.
Tactical Growth PLUS	The model remained invested inline with the Tactical Growth model (decrease to bonds, replacing mid-cap with small-cap stocks, and increasing broad market exposure). On the equity side, the Nasdaq switched places with the S&P 500 as the highest ranked holding. The model continues to monitor markets daily, and can act quickly if conditions change.
Dividend Focus	There were no changes in the model from last month. The model remains invested in large-cap blue-chip companies with a focus on quality and stability. The current estimated dividend yield is 3.36% compared to 1.37% for the S&P 500.
Growth Focus	There were no changes in the model from last month. The model remains overweight in technology, consumer cyclical, and health care for sector exposure. For market cap exposures, the model is somewhat evenly blended among smaller and larger companies.

Model
Updates

Sector Rotation	Removed technology and replaced with communications, while maintaining exposure to financials, industrials, and health care. This shift results in a similar overall risk profile, with communications edging out technology on upbeat earnings data and a slightly more attractive valuation. The model still holds a varied blend of growth/value and cyclical/defensive sectors.
All Weather	Slightly increased exposure to short-term high-yield bonds, energy stocks, and gold while reducing exposure to ultra short-term bonds, treasuries, and short-term TIPS. Results in a small increase to risk as the shifts increase market exposure. Overall, the model is approximately 47% equity / 10% gold / 43% fixed-income, displaying a somewhat moderate risk profile.
Dynamic Income	Increased exposure to high-yield, convertible, and international bonds while trimming treasuries, corporate investment-grade, and short-term bonds. These shifts result in a slight increase in credit risk. The model is slightly overweight higher-yielding asset classes, but holds a healthy blend of varying credit quality and duration as bond markets stabilize from last year.
Tactical Income	Increased exposure to hybrid holdings (preferred stocks and convertible bonds) while reducing exposure to short-term bonds. This results in a slight increase to credit risk, though the model still holds a modest amount of short-term bonds for stability. Overall, the model is favoring higher-yielding asset classes as credit markets remain relatively healthy.
Dynamic Short-Term Income	Increased exposure to short-term treasury and corporate bonds while reducing floating rate and short-term high-yield bonds. Also added a small position to short-term TIPS. These shifts slightly decrease overall risk, and the model is still overweight ultra short-term bonds to insulate against ongoing near-term interest rate uncertainty. The current estimated yield is 5.88%.
Income Focus	Slightly increased exposure to equity premium covered calls and emerging market dividend stocks, and reduced exposure to S&P 500 covered calls and high dividend financial stocks. These adjustments didn't cause any notable shifts in the risk profile of the model. The model remains overweight covered-call holdings overall. Estimated yield is 9.63%.

Model
Updates

Defensive Buffer	Added July while removing April holding. Maintained exposure to March, May, and June. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 9.34% and downside buffer of 25.55% compared to a blended cap of 7.90% and buffer of 26.04% for previous holdings).
Aggressive Buffer	Added July while removing August holding. Maintained exposure to April, May, and June. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 12.18% and downside buffer of 10.16% compared to a blended cap of 11.03% and buffer of 10.07% for previous holdings).