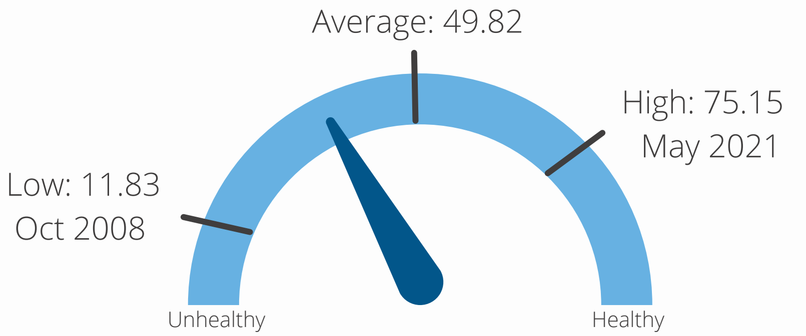
# September 2023
# Monthly Recap

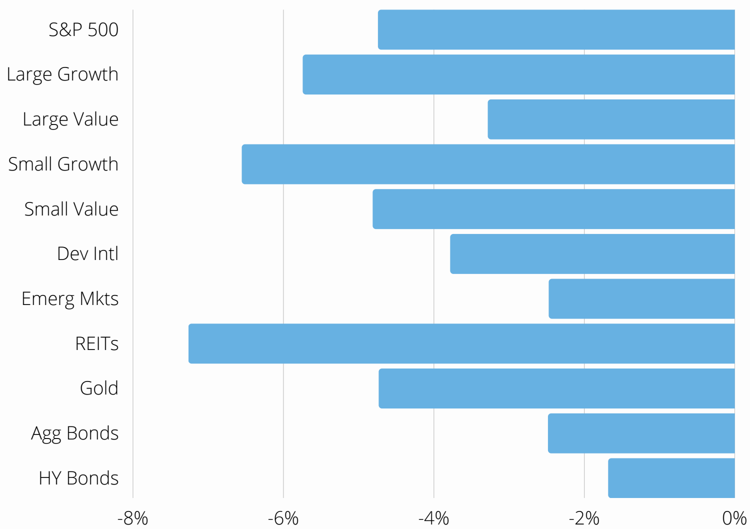
## Market Health Indicator*




**Current Score: 35.33**

Down from 43.39 last month, still indicating areas of caution and uncertainty in the markets and economy

## Market Data




Data from Morningstar

## Talking Points

Inflation increased for a second straight month with CPI rising from 3.2% to 3.7%, above expectations of 3.6%

The labor market added 187,000 jobs, slightly above the expected 170,000, though unemployment rose to 3.8%

The NAHB Housing Market Index fell from 50 to 45, its lowest level in five months as high mortgage rates hamper demand

The 10-year Treasury yield spiked higher from 4.09% to 4.59%, reaching fresh YTD highs on renewed Fed rate hike jitters

Corporate bond credit spreads remained relatively tight, indicating markets pricing in a low probability of default risk

*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

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| **Dynamic Growth** | Increased exposure to large-growth, large-value, and Nasdaq while reducing exposure to mid-cap and small-cap stocks. These adjustments point to a slight shift toward stability as market volatility has increased in recent months. Overall, the model remains well diversified among various style boxes, with a healthy amount of international exposure as well. |
| **Dynamic Growth PLUS** | The model remained fully invested throughout the month. Despite the recent pullback and increased volatility in equities, market trends have remained positive for 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 an increase to the bond hedge (from 13.22% to 29.33%) as broad market conditions deteriorated. This caused the model to trim its other market exposures. However, the model did remove its gold position due to negative momentum and replaced it with mid-cap US stocks. Overall, the model is slightly more hedged than last month (29.33% vs 21.89% total). |
| **Tactical Growth PLUS** | The model remained invested inline with the Tactical Growth model (increase to bonds, decreasing broad market exposure, and still overweight Nasdaq as its largest equity holding). Small-cap stocks fell down the ranking as market breadth deteriorated, but remain a small portion of the allocation. The model continues to monitor markets daily, and can act quickly if conditions change. |
| **Dividend Focus** | There were no changes in the model for the month. The model remains invested in large-cap blue-chip companies with a focus on quality and stability. The current estimated dividend yield is 3.45% compared to 1.47% for the S&P 500. |
| **Growth Focus** | There were no changes in the model for the month. The model remains overweight in technology, consumer cyclical, and health care for sector exposure. For market cap exposures, the model is blended among smaller and larger companies. |

# Model Updates

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| **Sector Rotation** | There were no changes in the model for the month. Maintained exposure to communications, industrials, financials, and health care. This results in a somewhat varied risk profile with a blend of growth/value and cyclical/defensive sectors, indicating mixed signals from markets and the economy. |
| **All Weather** | Increased exposure to energy stocks, treasury bonds, and ultra short-term bonds while reducing exposure to healthcare stocks, gold, and short-term high yield bonds. These adjustments result in a slight decrease to risk as the shifts reduce broad market exposure. Overall, the model is approximately 45% equity / 4% gold / 51% fixed-income. |
| **Dynamic Income** | Increased exposure to high-yield bonds, preferred stocks, long-term treasuries, and international bonds while removing mortgage backed securities and reducing corporate investment-grade bonds. This results in a slight increase to interest rate and credit risk as longer duration treasuries appear oversold and credit spreads remain relatively tight. |
| **Tactical Income** | Increased exposure to short-term and international bonds while trimming exposure to corporate investment-grade bonds. Results in a slight decrease to risk, though the model remains overweight in higher-yielding asset classes as credit markets remain relatively healthy and interest rates continue to place downward pressure on longer-term treasuries . |
| **Dynamic Short-Term Income** | Increased exposure to short-term treasury, short-term corporate, floating rate, and short-term TIPS while trimming exposure to ultra short-term bonds and high dividend stocks. Remains overweight short-term high-yield bonds, still with a healthy amount of ultra short-term bonds to insulate against interest rate volatility. The current estimated yield is 6.20%. |
| **Income Focus** | There were no changes in the model for the month. Remains overweight covered-call holdings as an asset class, with a skew toward the Nasdaq. For its high dividend stock exposure, the model remains evenly split between US and international. Estimated yield is 10.73%. |

Model
# Updates

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| **Defensive Buffer** | Added May and September while removing April and June holdings. Maintained exposure to July and August. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 14.66% and downside buffer of 23.61% compared to a blended cap of 14.06% and buffer of 23.59% for previous holdings). |
| **Aggressive Buffer** | Added September and November while removing February and June holdings. Maintained exposure to July and August. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 17.78% and downside buffer of 8.33% compared to a blended cap of 17.11% and buffer of 8.25% for previous holdings). |