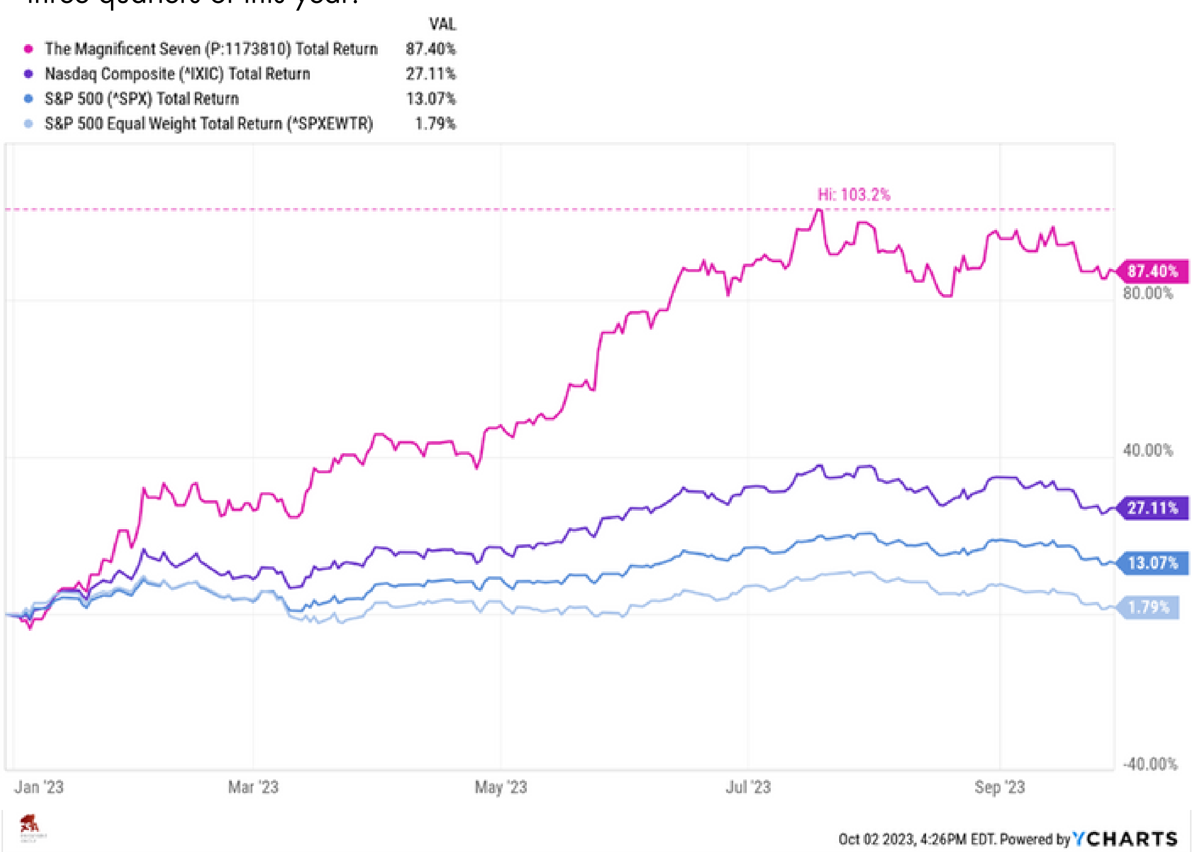
PATIENCE IN TURBULENCE

The financial markets have recently felt like a roller coaster ride, with the United States in the lead car while Europe and China share in the experience. Despite recent volatility, the S&P 500 and, in particular, U.S. Growth stocks have emerged as star performers, mirroring the resilience of the American economy. Meanwhile, as economic growth has remained positive, this has shifted sentiment for bond investors that the Federal Reserve is likely to keep short-term interest rates higher for longer than previously anticipated. As 10-year treasury yields have risen over 80 basis points since mid-July, there is some angst among investors as they grapple with increased volatility and negative returns in both bonds and stocks.

The Market Rebound: A Closer Look

This year, the market rebound has seen narrow leadership, primarily benefiting technology and communication companies. Artificial intelligence has been a significant catalyst, propelling the Magnificent Seven stocks by over 80% in the first three quarters of this year.



1 The Magnificent Seven stocks are: Apple, Amazon, Facebook, Google, Microsoft, Netflix and Tesla; magnificent seven returns are represented in the chart are equal weighted.

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ABOUT OUR FIRM

We are dedicated to providing investment management and strategic wealth planning to Indian tribes and high net worth individuals. Simply put, we strive to be our client's trusted advisor.

As a financial advisory firm, our primary focus is to provide unbiased opinions that are designed to achieve long term investment results. FSA Investment Group does this with the highest levels of trust, integrity and respect while always collaborating using a team approach. We are dedicated to professionally supporting, educating, and providing informed direction to each and every client.

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The Market Rebound: A Closer Look *(cont.)*

Interestingly, the market has become increasingly concentrated, with the largest companies in the S&P 500 seeing significant stock price increases. Yet, many of these giants, such as Microsoft and Google, have not revised their earnings forecasts upwards, raising questions about the sustainability of these price gains. Investors may be pulling forward future earnings growth expected from AI and productivity gains. However, such estimates have historically proved too rosy by overestimating the impact of new technologies on overall earnings for the market. In addition, Government regulators are trying to end the perceived monopolistic powers of tech giants like Amazon and Google. For the market to be more sustainable, we need to see more strength indicated by a broader number of stocks generating positive returns. For the 3rd quarter, the biggest winner was Energy stocks. Coincidentally, this sector had some of the largest earnings upgrades driven partly by upward movement in oil prices. Looking ahead, we'll be watching the market for either confirmation of sustainable market gains through broader participation or for deterioration that would indicate otherwise.

Economic Conditions: A Mixed Bag

On the one hand, companies are maintaining high-profit margins despite rising costs, suggesting they can pass these costs onto consumers. Consumer spending is robust, supported by wages growing faster than inflation. On the other hand, there are signs of caution. First, we've seen an increase in workers striking, demanding higher wages which results in a higher share of company profits. Although the government shutdown was averted in early October, this was just a temporary measure, and we may be grappling with this same issue in mid-November. The yield curve has inverted, traditionally a harbinger of economic slowdown, and banks have become more conservative in their lending practices. Smaller banks, heavily invested in commercial real estate, could be particularly vulnerable if lending conditions tighten further. Inflation rates have slowed but may not be a long-term trend, as many inflation measures have shown much more stickiness. One example is the Fed's super core metric, which strips out food, energy, and housing costs, which is rising and well above the Fed's 2% target.

Looking Ahead: Patience is Key

In summary, while the market has shown impressive resilience and growth, particularly in the technology and communication sectors, there are underlying concerns. Earnings growth has slowed, and there's been a shift towards more restrictive monetary policy. Exercising caution seems to be the prudent allocation strategy at the moment. This includes holding additional cash relative to global equities and leaning towards higher quality credit and duration within fixed income, aligning closely with the Bloomberg Barclays Aggregate bond index(6 years). We favor investing in a diversified basket of real assets as a way to combat any unexpected increases in inflation. Lastly, alternative strategies focused on macroeconomic conditions that can be defensive during periods like this have also been a way to combat stock and bond weakness.

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Looking Ahead: Patience is Key *(cont.)*

Looking ahead, the economic landscape is complex. Concerns about the sustainability of this year's market rally have been playing out since August. However, there are also positive indicators. Economic growth is broadening and new manufacturing orders are bouncing back, while consumers continue to spend despite rising costs. Therefore, despite the mixed economic conditions, we advocate a view akin to that of Atlanta Federal Reserve chairman Rafael Bostic's stance, which is to be cautious, patient, and resolute. This approach aims to navigate the complexities of the current market environment while positioning for potential opportunities that may arise. As we continue to navigate these turbulent markets, let's remember the wisdom of Guns N' Roses: "all we need is just a little patience."

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