Aspen Wealth Management, Inc.
9300 W. 110th Street, Suite 680
Overland Park, KS 66210
913.491.0500
www.aspenwealth.com

Market Update
(all values as of 09.29.2023)

Stock Indices:

Dow Jones	33,507
S&P 500	4,288
Nasdaq	13,219

Bond Sector Yields:

2 Yr Treasury	5.03%
10 Yr Treasury	4.59%
10 Yr Municipal	3.44%
High Yield	8.84%

YTD Market Returns:

Dow Jones	1.09%
S&P 500	11.68%
Nasdaq	26.30%
MSCI-EAFE	4.49%
MSCI-Europe	5.39%
MSCI-Pacific	2.89%
MSCI-Emg Mkt	-0.38%
US Agg Bond	-1.21%
US Corp Bond	0.01%
US Gov't Bond	-0.86%

Commodity Prices:

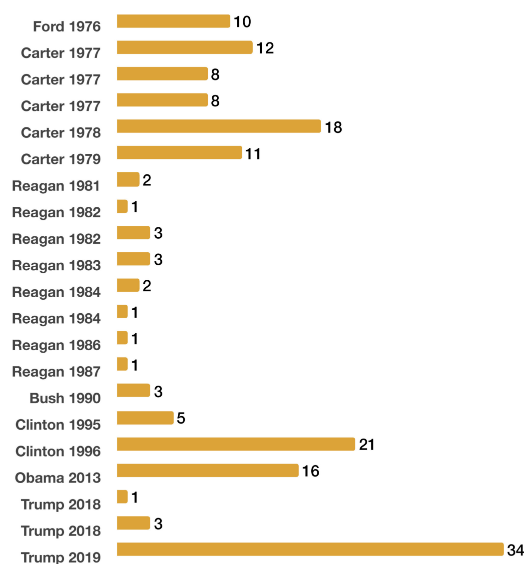
Gold	1,864
Silver	22.39
Oil (WTI)	90.77

Currencies:

Dollar / Euro	1.05
Dollar / Pound	1.21
Yen / Dollar	149.32
Canadian /Dollar	0.74

Macro Overview

A federal government shutdown was averted on September 30th, when Congress voted to fund government operations until mid-November. Volatility in the financial markets increased during September, as uncertainty surrounding a resolution persisted. The possibility of a shutdown will evolve again in November, as Congress once again deliberates on the passage of the federal budget. Should a shutdown occur, the impact on the economy would initially be mild as previous shutdowns, and possibly expanding as millions of government workers go without salary. Private sector contractors would also be impacted with delayed payments, while consumer uncertainty hinders spending.



The federal government shutdown dilemma has increased the possibility of a credit downgrade by Moody's, the last agency with a AAA rating on government debt. Credit agencies S&P and Fitch have already lowered their ratings on U.S. government debt to AA+, down from the top tier rating of AAA. Another downgrade is expected to make it more costly for the government to borrow funds and maintain already excessive debt levels. The last downgrade was on August 1st when Fitch lowered its rating to AA+ from AAA.

A shutdown of the federal government is expected to affect only government operations and payments that are not funded by permanent appropriations. Those funded by permanent appropriations such as the Postal Service, entitlement programs such as Social Security and Medicare, will not be affected. Other essential and critical departments and agencies of the government would also continue operations, such as the Defense Department and the Treasury Department. Scheduled debt payments such as on Treasury bills, notes and bonds would also continue to be made.

Relentless rising oil prices are hindering portions of the economy, inflicting rising costs on transportation, manufacturing, and food distribution. Equity analysts believe that some companies may see compressed earnings as lofty fuel costs continue to wear on operating expenses. Higher costs can eventually be passed on to consumers in the form of higher prices.

Medicare open enrollment is from October 15th to December 7th, allowing changes for existing medicare recipients and enrollments for new members. Any changes and new enrollments are effective January 1, 2024. The Centers for Medicare & Medicaid Services (CMS) reports that there are currently over 65.7 million people enrolled in Medicare. (Sources: Social Security Administration, Medicare.gov, Treasury Dept., Federal Reserve)

Equities React To Congressional Uncertainty – Global Equity Overview

Domestic equities were off in September and in the third quarter, as stocks retracted further with shutdown concerns increasing towards the end of the quarter. Rising interest rates and the labor union strikes also contributed to market anxiety, as uncertainty drove volatility higher throughout the month. Through the first three quarters of 2023, 96.5% of the S&P500 performance has been driven by the largest 10 companies. The remaining 490 companies are up 0.4%. A healthy stock market, similar to a healthy economy, is when a majority of stocks are going up together. With only 10 stocks carrying the index return, the market breadth is negative. The energy and communication services sector were the only positive sectors for the third quarter. Elevated fuel prices along with improving technology earnings supported the rise in the sectors. Pessimism amid renewed inflation concerns hindered equity momentum during the quarter.

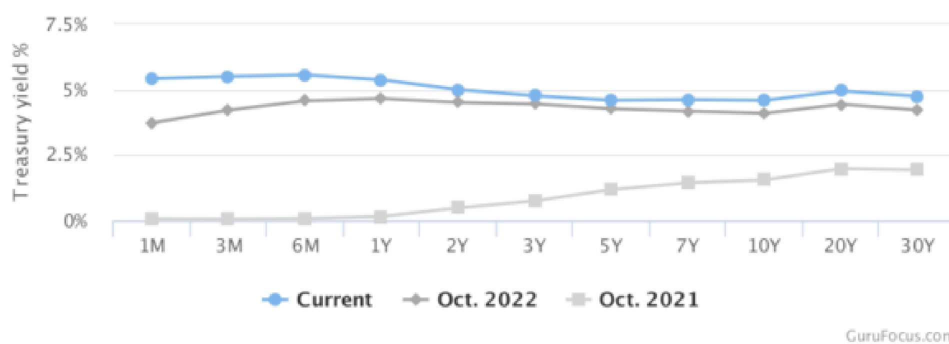
Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

Year	Top 10 as % of Total	S&P 500 % Perf.
2023 YTD	96.5%	11.7%
2007	78.7%	3.5%
2020	58.9%	16.3%
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%
2006	27.6%	13.6%
2016	26.6%	9.5%
2003	23.6%	26.4%
1995	22.3%	34.1%
2014	22.2%	11.4%
2004	21.1%	9.0%
2005	20.5%	3.0%
2010	19.6%	12.8%
2012	19.2%	13.4%
1997	19.1%	31.0%
2013	17.6%	29.6%
2009	15.5%	23.5%
1992	14.9%	4.5%
1993	12.2%	7.1%

Developed and emerging market equities also pulled back in September and the quarter as uncertainty surrounding the U.S. dollar, interest rates, and elevated fuel prices drove valuations lower. (Sources: S&P, Dow Jones, Nasdaq, MSCI, Bloomberg)

Yields On The Rise – Fixed Income Overview

A variety of factors have led to interest rates increases. The government shutdown and mounting US debt hindered the bond markets as concerns surrounding heightened funding costs for the government came into focus. Additional fears include inflation maintaining a higher level for longer and the Federal Reserve not cutting interest rates as anticipated in 2023. The chart depicts the US Treasury yields over the past two years. The yield on the 10-year Treasury bond reached 4.59% at the end of September.



Higher interest rates are a concern for the equity values for several reasons: higher borrowing costs for corporations, higher discount rates applied to future earnings, and a more enticing yield return alternative to equities. For the third year in a row, bonds as represented by the Aggregate Bond Index, have had a negative return: 2021: -1.77%, 2022: -13.02%, and 2023 YTD: -1.10%. (Sources: Treasury Dept., Congress.gov)

New Mortgage Rules To Accommodate Lower Credit Scores – Lending Overview

New mortgage rules are attempting to make homes more accessible to homebuyers with low credit scores by lowering the fees for low-credit buyers while, in some cases, raising the fees for high-credit buyers. This new fee restructuring revolves around what Fannie Mae calls "loan level price adjustment costs" and what Freddie Mac refers to as "credit fees."

Beginning on May 1, these two agencies increased their risk-based fees, which are intended to protect the agencies from borrowers deemed as more likely to default on their payments. Fannie Mae and Freddie Mac, two of the main providers of mortgage financing in the U.S., hiked their risk-based fees. The agencies impose higher fees on borrowers they deem more likely to default on their mortgage based on factors like credit score and down payment. These fees are a percentage of your loan amount and can run anywhere from 0.125% to 2.875% on most mortgage loans.

The new price structure will continue to reward higher-credit-score borrowers with lower fees, contrary to recent reports. For example, consider two people, both of whom borrow the same amount and have a 5% down payment. The person with a 760 credit score will be charged 0.5% of the loan amount in fees, while the person with a 660 credit score will be charged 1.625%. All other things being equal, risk-based fee percentages decline as credit scores rise.

However, in an attempt to make homes more affordable for individuals without large savings, their adjustments instead lowered fees for purchasers with smaller down payments. On a conventional mortgage, borrowers who now put down payments between 5% and 25%, which are considered larger down payments, will pay more in fees than those who put down less than 5% of the home's value. Thus, the higher fees are impacting those who are considered less risky.

While purchasers with high credit scores will still be charged lower fees than purchasers with low credit scores, the disparity between fees will be reduced. This is intended to offset the risks of supporting purchasers with riskier credit, whom Fannie Mae claims may not have large savings or help from family or friends like their peers with higher credit scores.

Before the changes, the highest credit score category was for those with scores of 740 and above, which is considered very good. Fannie and Freddie created two new higher credit score categories in their fee charts: borrowers with credit scores of 780 or higher and borrowers with credit scores of 760 to 779.

Here's how the math works on the FHFA's new fee structure for a $400,000 conventional loan at different credit score tiers. A hypothetical borrower putting 15% down pays the fee on $340,000 (85% of $400,000), and one putting 5% down pays the fee on $380,000 (95% of $400,000).

Credit Score	Fee With Down	Rate 15%	Fee Amount For $340,000	Fee With Down	Rate 5%	Fee Amount For $380,000
≥ 780	0.38%		$1,275	0.25%		$950
760 – 779	0.63%		$2,125	0.50%		$1,900
740 – 759	1.00%		$3,400	0.63%		$2,375
720 – 739	1.25%		$4,250	0.88%		$3,325
700 – 719	1.50%		$5,100	1.13%		$4,275
680 – 699	1.88%		$6,375	1.38%		$5,225
660 – 679	2.13%		$7,225	1.63%		$6,175
640 – 659	2.50%		$8,500	1.88%		$7,125
≤ 639	2.88%		$9,775	2.25%		$8,550

Sources: Freddie Mac, Fannie Mae

Medicare Coverage Heading Into 2024 – Retirement Planning

With open enrollment upon us, millions of Americans will be deciding on which, if any, changes to make to their Medicare coverage. The Open Enrollment Period for 2024 coverage is from October 15, 2023 to December 7, 2023. Coverage for any changes or new plans begins January 1, 2024.

Since Medicare doesn't cover all medical expenses, the decision to buy supplemental insurance coverage or to obtain a Medicare Advantage Plan is important for millions of Medicare recipients. Medicare Advantage Plans allow a recipient to get both Medicare Part A and Part B coverage. Medicare Advantage Plans are sometimes called Part C or MA Plans, and are offered by Medicare-approved private companies. Medicare Supplemental Insurance or Medigap helps pay for gaps in coverage not paid for by Medicare. Even though Medicare does pay for many procedures and services, some remaining expenses such as copayments, coinsurance, and deductibles are covered by supplemental plans. Some Medigap policies also cover services that are not covered at all by Medicare, such as coverage while traveling abroad. So it's worth shopping and determining what expenses are covered by the various supplemental insurance policies. (Source: medicare.gov)

The Common Occurrence Of Government Shutdowns – Fiscal Policy

Government shutdowns have been a common occurrence over the years under most every president. The length of the shutdowns have varied from 2 days in 1981 under President Reagan, 21 days in 1995 under President Clinton, and 34 days in 2019 under President Trump. A shutdown occurs when Congress fails to pass or the President refuses to sign legislation funding federal government operations and agencies.

Government shutdowns entail partial closure of certain agencies and departments, not complete closures. Departments affected during the most recent shut down with partial closures include Homeland Security, Housing & Urban Development, Commerce, FCC, Coast Guard, FEMA, Interior, Transportation, and the Executive Office of the President.

Federal employees deemed as "essential" among the various departments are required to work without pay until a funding bill is passed by Congress. The closures affect numerous private businesses that rely and adhere to regulatory rules imposed by the Federal government, such as mortgage loans and Housing & Urban Development. Sources: Congressional Records, https://www.congress.gov/congressional-record/2018/12/22

America's Bridges Need Repair – Fiscal Expenditures

As Congress deliberates the federal budget for 2024, decisions as to where to allocate funds can be crucial. The vast landmass and distances between cities and population centers in the United States demands an expansive and organized network of highways. As the population of the country has grown, so has the number of automobiles and trucks traversing the enormous national highway system. As the highways expanded to accommodate more traffic and heavier loads, roads and bridges have become integral components to the nation's transportation system. Of the 117,483 bridges covering the nation's highways, The Department of Transportation has identified over 5,230 as structurally deficient.

According to the Department of Transportation, there are over 254 million registered automobiles traversing the highways of America, the largest passenger vehicle population of any country worldwide. The Environmental Protection Agency (EPA) has estimated the average weight of passenger vehicles and light trucks to be approximately 4,000 pounds. Large tractor-trailers and commercial vehicles can weigh in excess of 150,000 pounds, with 80,000 pounds as a maximum for many states. Over the years, automobiles and transport trucks have actually gotten heavier as engines have become stronger, more efficient, and capable of hauling much heavier loads. The combination of increased weight and erosion from weather has hindered the structural integrity of thousands of bridges over the years. In addition to weight and erosion, fault lines and earthquakes have also taken a toll on bridges due to frequent seismic occurrences. (Source: Department of Transportation)

Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.