

Weekly Market Commentary September 5, 2023

The Markets

Lowering inflation.

If you’ve ever waited in traffic while the center section of a bridge lifts to allow ships and sailboats to pass underneath, you may have noticed the enormous counterweight that lowers as the bridge moves higher. When the boats have passed, the counterweight rises, and the bridge lowers back into place.

The Federal Reserve (Fed) often acts as a counterweight to the economy; raising and lowering interest rates to achieve its goals. Recently, the Fed has been raising rates to bring inflation down. Higher rates make borrowing more expensive, slowing economic growth and reducing demand for goods.

Over the past 18 months, the Fed has raised the effective federal funds rate from near zero to 5.33 percent. Last week, data suggested its efforts were working. The Personal Consumption Expenditures Price Index showed that headline inflation has dropped from a peak of 6.8 percent in June of 2022 to 3.3 percent in July 2023.

In addition, last week’s employment report showed jobs growth slowed in August. In an interesting twist, despite more jobs being created, the unemployment rate rose from 3.5 percent to 3.8 percent. It rose because the labor force participation rate increased as more people returned to the workforce and looked for jobs.

“This was a more complicated report than recent months’ with lots of cross-currents. Overall, it supports the soft-landing thesis for the economy, as the labor market is easing without major layoffs and wage dips... This seems like an ideal report for the Federal Reserve. Wage gains are coming down and payrolls are rising but at a much slower pace,” reported Katia Dmitrieva of *Bloomberg*.

Last week’s data left many believing the Fed will leave rates unchanged in September; however, there was disagreement about whether the Fed will remain on pause, resume rate hikes, or lower rates in the months ahead.

Markets embraced the idea of a Fed pause in September, and major U.S. stock indices moved higher last week, according to *Barron’s*. In addition, the yield on the one-year U.S. Treasury bill finished the week at 5.4 percent.

Data as of 9/1/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	2.5%	17.6%	13.8%	8.6%	9.3%	10.7%
Dow Jones Global ex-U.S. Index	2.4	6.9	11.3	1.4	1.0	2.0
10-year Treasury Note (yield only)	4.2	N/A	3.3	0.7	2.9	2.9
Gold (per ounce)	1.3	7.1	14.5	-0.5	10.1	3.4
Bloomberg Commodity Index	1.2	-5.4	-10.7	13.2	5.1	-2.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

DON'T TRUST YOUR EARS. There are pros and cons to artificial intelligence (AI). On the pro side, many people have found AI-powered digital assistants helpful. The assistants schedule events and offer reminders. They relay timely information about weather and traffic, help manage lights, thermostats, ovens, and other smart devices in homes.

On the con side, they've become a valuable tool for scammers. Recently, criminals have been using AI-generated voices to scam family members, friends and financial institutions.

The potential for vocal deception was demonstrated at a recent Senate hearing, which featured “a faked voice recording that was written by ChatGPT and vocalized by an audio application trained on [a U.S. Senator’s] Senate floor speeches,” reported Matt Berg of *Politico*. “If you closed your eyes at the beginning of the hearing, you couldn’t have told that we were playing a voice clone of myself,” commented the Senator.

Deepfake audio also has been used to mimic the voices of friends and family members. In another hearing, a mother who was targeted shared the story of receiving a phone call from her terrified teenage daughter and her kidnapper, who demanded a ransom. Only, it wasn’t the daughter – it was an AI-generated voice that sounded just like her, “reported Carter Evans and Analisa Novak of CBS News.

There are ways for families and friends to protect against voice scams. These include:

- **Choosing a code word.** Then, if a suspicious call is received, they can ask the caller for the code word.
- **Calling or texting the person** who is making the emergency call (or someone with them). In the example above, the mother called her husband who confirmed their daughter was safe.

Since voice cloning often relies on publicly available audio, it can be a wise choice to make social media accounts private, and only accept followers who you know.

Weekly Focus – Think About It

“And nowadays, the idea of AI is not really science fiction anymore – it’s just science fact.”

—Lisa Joy, screenwriter and director

Best Regards,

Victor Levy for Levy Wealth Management Group



1818 Market St | Suite 3232 | Philadelphia, PA 19103

Main: 215-875-8720 | Fax: 215-875-8756

info@levywealth.com

www.levywealth.com

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- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
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- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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