Furstenau Wealth Update
May 15, 2023

The Markets

Brace yourself! The debt ceiling standoff continues.

Consumers aren't optimistic. The *Consumer Sentiment Index* fell to a six-month low in May, dropping 9.1 percent month-to-month. Participants in the University of Michigan survey were:

- Less concerned about current economic conditions (down 5.4 percent, month-to-month), and
- More concerned about future economic conditions (down 11.7 percent, month-to-month).

They were wary about the outcome of debt ceiling discussions, concerned that policymakers will cause the United States to default on its debt, and apprehensive about how that could impact the economy, according to Director of Surveys Joanne Hsu.

What is the debt ceiling?

The debt ceiling is the amount of money the United States government is allowed to borrow to pay debts it has already incurred. These payments include interest on Treasuries, military salaries, Social Security and Medicare benefits, tax refunds, and other financial obligations. The debt ceiling has been lifted 78 times since 1960.

What happens if policymakers don't raise the debt ceiling?

No one knows for certain, although many economists, analysts, and the financial press are concerned. Here's what some have said:

> "…the U.S. federal government would face various unpalatable options, ranging from delaying payments to contractors, Social Security recipients, Medicare providers or agencies; to defaults on payments on US government debt."
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> *—Chris Giles and Colby Smith, Financial Times, May 7, 2023*

> "A technical failure by the U.S. to meet its obligations would impact those Treasuries coming due most immediately. Bill markets are pricing in some risk of default in early June…A default threatens to spur big moves around the globe, with the prospect of a major economic downturn and a reassessment of Fed monetary policy potentially igniting a perverse bid for Treasury bonds on haven demand. Conversely, a resolution could shift the focus back to the outlook for inflation and the credit cycle for traders betting on whether the era of aggressive Fed interest-rate hikes has peaked."
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> *—Benjamin Purvis, Michael Mackenzie and Ye Xie, Bloomberg, May 13, 2023*

> "Potential repercussions of reaching the ceiling include a downgrade by credit rating agencies, increased borrowing costs for businesses and homeowners alike, and a drop off in consumer confidence that could shock the U.S. financial market and tip the economy into recession."
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> *—Noah Berman, Council on Foreign Relations, May 2, 2023*

Many observers believe a deal will be reached before the June 1 deadline. "If you're a long-term investor, there's a strong case to do nothing. If history is a guide, a deal to avoid a default will be struck," reported Lauren Foster of *Barron's*.

Last week, major U.S. stock indices finished the week with mixed performance, reported *Barron's.* The Dow Jones Industrial Average and the Standard & Poor's 500 Index lost value, while the Nasdaq Composite gained. The yield on the one-month Treasury bill finished the week 28 basis points higher than where it started.

Data as of 5/12/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.3%	7.4%	4.9%	12.8%	8.6%	9.7%
Dow Jones Global ex-U.S. Index	-0.9	6.6	6.2	7.2	-0.4	1.6
10-year Treasury Note (yield only)	3.5	N/A	2.8	0.7	3.0	1.9
Gold (per ounce)	1.0	11.5	10.0	5.9	8.9	3.5
Bloomberg Commodity Index	-1.7	-10.3	-20.4	18.0	2.3	-2.6

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.

IT'S A GRILL RUSH! Since its post-pandemic re-opening, the Chinese economy has been recovering more slowly than many companies and investors anticipated. But there's one industry that's red hot: food tourism. Domestic tourists have been flocking to a small industrial city that has become the epicenter of a national obsession with grilling.

Thousands of tourists have been traveling to the central province of Shandong to experience grilled kebabs and taking pictures of the experience for social media. The skewers are cooked, flattened and dipped in garlic chili paste before being coated in sesame seeds and peanuts. According to *The Economist*, crowds have been so large that arenas are being remade into temporary dining halls, and banks are issuing low-interest loans to support companies in grilling-related industries.

The great grilling frenzy highlights a social media trend that's currently popular among young people in China: Special-Forces tourism. The mission of these tourists is the experience – find and eat tasty food while forgoing sleep and spending as little time and money as possible. Some travel to more than 10 locations in a single day. Kebabs and a local beer hit the sweet spot for special-forces tourists. Altogether, the meal and drink cost hungry travelers about $0.40 in US dollars.

Kebabs are a delicious addition to summer grilling recipes.

Weekly Focus – Think About It
"Pull up a chair. Take a taste. Come join us. Life is so endlessly delicious."

—Ruth Reichl, chef, writer, and editor

Best regards,

Ryan D. Furstenau

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* 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 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* 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 DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* 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.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
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* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

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