FURSTENAU FINANCIAL
FAITH, PATIENCE, DISCIPLINE

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The Markets

You may have heard this one: Don't fight the Fed.

The Fed is the Federal Reserve Bank of the United States. Among other things, the Fed influences monetary conditions in pursuit of price stability and full employment. As we've seen recently – with unemployment low and inflation high – the Fed's job isn't simple or straightforward.

"Don't fight the Fed" is a bit of wisdom that encourages investors to align their portfolios with current monetary policy. "The rationale is deceptively intuitive. If the Federal Reserve is cutting interest rates or is generally accommodative, then the ensuing liquidity should provide a positive backdrop for risk assets like stocks. If the Fed is raising rates or constraining liquidity, that activity tends to be a headwind for equities and other assets," reported Steve Sosnick of *Barron's*.

After the Fed confirmed its commitment to rein in inflation by raising rates, the Standard & Poor's 500 Index finished August lower.

"In retrospect, bulls should maybe have been more worried that one of the most reliable tools the Federal Reserve has for subduing inflation is to scare the U.S. equity market," reported Isabelle Lee and Lu Wang of *Bloomberg*. They cited studies that found, "Disinflationary effects have historically kicked in when the S&P 500 drops more than 19%...It breached that level in June and is now approaching it again…every dollar lost in stocks leads to a 3-cent reduction in spending."

It will be interesting to see whether spending moves lower. While stock markets dropped in August, consumer sentiment moved higher. After falling for three consecutive months, the Conference Board's Consumer Confidence Index® increased in August. (The Index sets 100 at 1985 sentiment levels. In 1985, the United States was in its third year of economic growth following a recession.) Last month, sentiment was 103.2, up from 95.3 in July.

Some economists see consumer sentiment as a lagging economic indicator, meaning that it reflects what happened in the past, because it takes time for consumers to respond to economic events. Others think consumer sentiment is a leading indicator because it suggests where spending, which is the biggest driver of U.S. economic growth, may be headed. Consumer spending accounts for close to 70 percent of gross domestic product (GDP), which is how economic growth is measured.

Last week, major U.S. stock indices finished lower after the U.S. employment report showed solid jobs growth, suggesting that the Federal Reserve will continue to raise rates, reported Ben Levisohn of *Barron's*. U.S. Treasury yields rose across the yield curve when compared to the previous week's close.

Data as of 9/2/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-3.3%	-17.7%	-13.5%	10.5%	9.8%	10.8%
Dow Jones Global ex-U.S. Index	-3.2	-21.2	-23.8	0.5	-0.8	2.2
10-year Treasury Note (yield only)	3.2	N/A	1.3	1.5	2.1	1.6

318 W 11TH St. Neligh, NE 68756 • Ryan.Furstenau@lpl.com • www.FurstenauFinancial.com
Office 402.887.4302 • Fax 402.887.4550
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Gold (per ounce)	-2.2	-5.9	-5.5	3.9	5.1	0.1
Bloomberg Commodity Index	-4.4	20.1	23.2	15.6	6.9	-2.2

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.

BACK TO SCHOOL. Across the country, school supplies have been purchased and many children have returned to the classroom to start a new school year. The give and take between teachers and students can produce some memorable – and humorous – moments. The following are from stories shared in *Reader's Digest*.

Teacher: Where is your homework?
Student: It's still in my pencil.

Teacher: Why can't freshwater fish live in salt water?
Student: The salt would give them high blood pressure.

Teacher: How would you make the world a better place?
Student: I'd make potato skins a main dish rather than an appetizer.

Teacher: Mira went to the library at 5:15 and left at 6:45. How long was Mira at the library?
Student: Not long.

Teacher: Why do you think our librarian is leaving?
Student: Because she's read all our books?

Teacher: In Franz Kafka's *The Metamorphosis*, a man who is discontented with his life, wakes up to find he has been transformed into a large, disgusting insect.
Student: So, is this fiction or nonfiction?

Teacher: Why aren't you wearing your glasses?
Student: My glasses are for reading, not math.

What are your favorite school stories?

Weekly Focus – Think About It
"I have learned silence from the talkative, toleration from the intolerant, and kindness from the unkind; yet strange, I am ungrateful to those teachers."

—Khalil Gibran, writer and poet

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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* Asset allocation does not ensure a profit or protect against a loss.
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