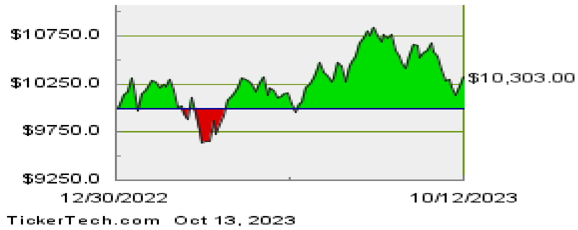
DIA YTD Return Chart

YTD Return on $10,000.00
With Dividends Reinvested Into D



DIA YTD Return Table

Start date:	12/30/2022
End date:	10/12/2023
Start price/share:	$331.33
End price/share:	$336.27
Starting shares:	30.18
Ending shares:	30.64
Dividends reinvested/share:	$5.08
DIA YTD return:	3.03%
Annualized Gain:	
Starting investment:	
Ending investment:	

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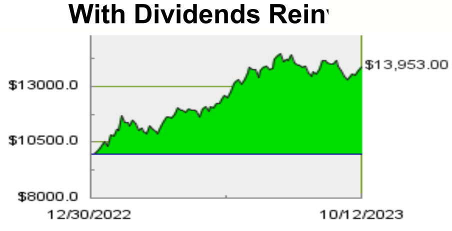
YTD Return for Nasdac

YTD Return on
With Dividends Rein



YTD Return for Nasdaq 100 Table

Start date:	12/30/202
End date:	10/12/2023
Start price/share:	$266.28
End price/share:	$369.93
Starting shares:	37.55
Ending shares:	37.72
Dividends reinvested/share:	$1.51
QQQ YTD return:	39.53%
Annualized Gain:	50.63%
Starting investment:	$10,000.00
Ending investment:	$13,953.00

Invesco QQQ Trust Series 1 YTD return is presented with the assumption of reinvestments of any dividends on ex-date.

YTD Return on $10,000.00
With Dividends Reinvested Into SPY

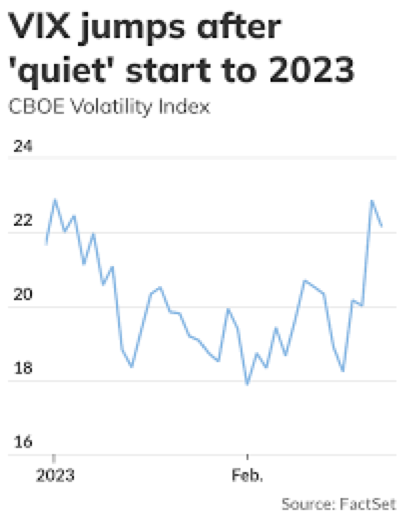
YTD Return S&P Table — SPY

Start date:	12/30/2022
End date:	10/12/2023
Start price/share:	$382.43
End price/share:	$433.66
Starting shares:	26.15
Ending shares:	26.44
Dividends reinvested/share:	$4.73
SPY YTD return:	14.67%
Annualized Gain:	18.78%
Starting investment:	$10,000.00
Ending investment:	$11,467.00

S&P 500 ETF YTD return is presented with the assumption of reinvestments of any dividends on ex-date.

The VIX indicator

About **Description**
VIX is the ticker symbol and the popular name for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options. [Wikipedia]



VIX jumps this week amid Fed worries after stock-market fear gauge's 'very quiet' start to 2023 - MarketWatch

U.S. TREASURIES TO DATE

Bonds vs. notes vs. bills overview
Treasury bonds, notes and bills are three types of investments the U.S. government issues. You loan the government money by buying a Treasury bond, note or bill and earn interest in return.

The selling of U.S. debt through Treasurys finances the operations of the federal government while also offering additional benefits to investors. Treasury securities, also known as Treasurys, are considered low-risk because they're issued and backed by the U.S. government. They're also budget-friendly for investors, since they can be purchased in increments of $100, and they're exempt from state and local taxes. You'll still pay federal taxes on the interest earned.
The face value of the Treasury is its price if held to maturity, while the Treasury's interest rate is the profit you receive for loaning the U.S. government money.
Current Treasury rates

Rates are sourced from Google Finance and may be delayed. Data is solely for informational purposes, not for trading.

Symbol-	Latest-	change-	% change-	1w ago-	1m-ago-	1y ago
Yusa 3m	5.6%	0.01%	-0.18%	5.610%	5.570%	4.090%
Yusa6m	5.560%	0.02%	-0.36%	5.5805%	5.520%	4.430%
Yusa1y	5.440%	0.02%-	0.37%	5.420%	5.450%	4.580%
Yusa2y	5.140%	0.06%	0.98%	5.090%	5.450%	4.490%
Yusa10y	4.980%	0.27%	5.73%	4.740%	4.490%	4.210%
Yusa20y	5.300%	0.24%	4.74%	5.060%	4.70%	4.540%

Stocks Sink After Being Yanked by Powell comments
Powell initially suggested that the central bank is unlikely to raise interest rates again in November, a reprieve for investors.

"Given the uncertainties and risks, and how far we have come, the committee is proceeding carefully," Powell said Thursday. He cited the bevy of data showing that labor-market tightness and price pressures are easing, giving the Fed room to stand pat, but said the central bank would be willing to raise rates further if strong economic activity sparked worries of an inflation revival.

Market anxiety peaked when Powell said he didn't see evidence that monetary policy is too tight—in the way it would cause a recession—and that higher interest rates will likely be required for a long time to contain inflation. That is one reason bond yields have risen in recent weeks.

The 10-year Treasury yield reached as high as 4.991% during trading, nearly hitting 5% for the first time since 2007. Weak manufacturing data from the Philadelphia area and later Powell's comments sapped the bond selloff and boosted prices, leaving the benchmark yield at 4.987% to finish the day—a fresh 16-year high.

This hasn't happened since the Carter Administration and we all know how that ended.

Jerome Powel says the Fed could keep lifting interest rates sharply "for some time."

Federal Reserve Chair Jerome Powell delivered a stark message Friday: The Fed will likely impose more large interest rate hikes in coming months and is resolutely focused on taming the highest inflation in four decades.

Powell acknowledged that the Fed's continued tightening of credit will cause pain for many households and businesses as its higher rates further slow the economy and potentially lead to job losses.

What the latest FED rate hikes could mean to your money

The Federal Reserve is again using its most potent weapon in trying to douse the hottest inflation in 40 years: interest rate hikes. But the central bank's move Wednesday to further raise borrowing costs means consumers and businesses are grappling with back-to-back increases of three-quarters of percentage point — a double-barrel monetary blast that could make a big impact on your finances.

To be sure, the Fed has raised rates in consecutive months before, but two 0.75 percentage-point hikes in a row "is pretty extraordinary," noted Matt Schulz, chief credit analyst at Lending Tree. The Fed hasn't hiked rates by a combined 1.5% percentage points in consecutive meetings since as far back as the 1980s.

Today's hike marks the fourth rate increase this year, though inflation still hit a fresh record in June, with prices jumping 9.1%. Yet there are signs the Fed's actions are impacting demand, with home sales dropping amid a spike in mortgage rates and some consumers holding off on major purchases.

But with inflation still high and credit becoming more expensive, some economists fear the rate hikes could push the economy into a recession.

Whether the Fed succeeds in taming inflation "is the multibillion dollar question," Schulz said. "We're certainly hopeful that this works, but realistically the best thing for people to do is to assume that these high prices are going to be around for quite some time and to plan accordingly."

One thing is certain: Credit card debt and some other types of loans will become more expensive for consumers.

Wednesday's rate hike will increase the federal funds rate — the rate that determines borrowing between banks — to about 2.25% to 2.50%, which is higher than its pre-pandemic level of about 2%, according to Factset.

Here's what the Fed's pumped up interest rates could mean for your budget.

What rate hikes cost you

Every 0.25 percentage-point increase in the Fed's benchmark interest rate translates to an extra $25 a year in interest on $10,000 in debt. So Wednesday's 0.75 percentage-point hike means an extra $75 of interest for every $10,000 in debt.

So far, the Fed's four hikes in 2022 have increased rates by a combined 2.25 percentage points — which means consumers are now paying an extra $225 in interest on every $10,000 in debt.

Economists expect the Federal Reserve to continue with its regime of rate hikes, but the question is whether the increases will more moderate. Currently, economists are pegging a 0.5 percentage-point increase in September, followed by two 0.25 percentage-point hikes in the last two Fed meetings of the year, according to Factset.

"They aren't stopping anytime soon, but I don't think we'll remain in 5th gear for all that long," Schulz noted.

How another big hike could impact the stock market

The stock market has taken a beating this year amid the impact of high inflation and the Fed's series of rate hikes.

Investors are awaiting the Fed's hints about its plans following Wednesday's hike, with many expecting that the central bank will ease up on the size of its rate increases later this year, experts note.

The "markets [are] now pricing in a relatively swift U-turn in 2023 from aggressive tightening to loosening in order to support the economy," noted Craig Erlam, senior market analyst at OANDA in a Wednesday research note prior to the Fed's decision. "Attention will be on its guidance over the coming months and how hawkish it will continue to be."

Credit cards and home equity lines of credit

Credit card debt will become more expensive, with higher APRs likely hitting borrowers in August, Schulz said.

Indeed, credit card rates have already risen in response to the Fed's previous rate hikes, with the average rate on a new card now at 20.82%, according to LendingTree data. That's the highest average since at least August 2019.

"Next month, rates will almost certainly top 21% for the first time since we started tracking in 2019," Schulz said. "That's about the highest I've seen in the 14 years I've been watching credit card rates on a regular basis."

That means it's more expensive for Americans to carry a credit card balance, and should prompt people to take actions to lower their costs. First, consumers with balances may want to consider a 0% balance transfer credit card, Schulz said.

"The good news is that those offers are still widely available and plentiful if you have a good credit score," Schulz noted. That would help consumers with credit scores of about 700 and above, he noted.

Secondly, consumers can call and ask their credit card companies to lower their rates, a request that is successful about 70% of the time, he added.

Loans with adjustable rates may also see an impact, including home equity lines of credit and adjustable-rate mortgages, which are based on the prime rate.

How will another hike impact mortgage rates?

Home buyers are already paying more for mortgages due to the Fed's rate increases this year. The average 30-year home loan stood at 5.54% as of July 21, up from 3% a year earlier, according to Freddie Mac.

Because that is adding thousands of dollars to the annual cost of buying a property, home demand is slipping as some potential buyers are priced out of the market.

"[M]ortgage rates could trend up over the next few weeks," noted Jacob Channel, senior economist for LendingTree, in an email prior to the Fed's announcement.

He added, "Today's high rates have dampened borrower demand for both mortgage purchases and refinances. In fact, demand for mortgages has just hit a 22-year low."

Still, borrowers should take the long-term view, he added. "If you're in a place right now where you can afford to buy a home without becoming excessively cost burdened, then you shouldn't worry too much about whether or not rates could eventually come down," Channel said. "After all, even if rates do fall over the coming years, you may still have an opportunity to refinance your current loan."

Savings accounts, CDs

If there's one bright spot in another Fed hike, it's for savers: Rates for savings accounts and certificates of deposits have risen sharply this year as a result of the ongoing rate increases.

"Deposit rates will likely rise as the Fed continues to increase rates," said Ken Tumin of DepositAccounts.com in an email prior to the announcement. "However, savings account and short-term CD rates will likely rise more than long-term CD rates until there is little, if any, rate advantage with long-term CDs."

Already, rates for online savings accounts have jumped to 1.04% from 0.54% in May, Tumin noted.

That's certainly better than what savers used to get, but it's still far below the rate of inflation. With inflation over 9% in June, savers are essentially losing money by socking their cash into a savings account earning about 1%.

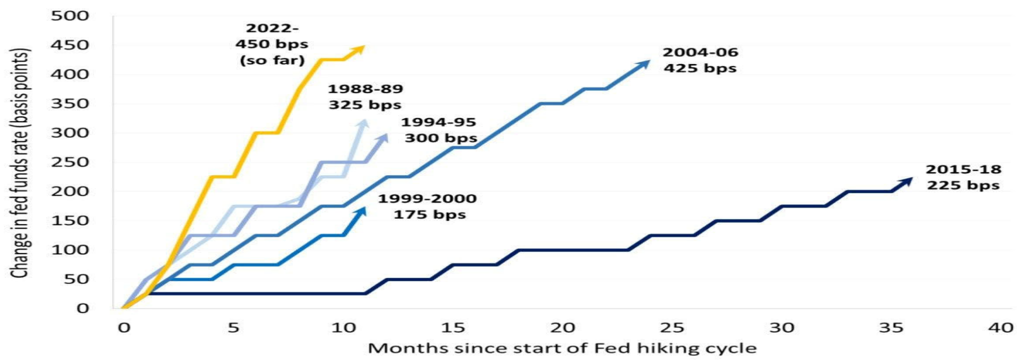
TGA Capital Management is a Registered Investment Advisory and more information can be obtained at our website www.tgacapitalmanagement.com

Why Investing in Short-Term Bonds Makes Sense

Should you invest in short-term bonds? Find out why they're an attractive opportunity now, and how you can get exposure to the asset class.

As inflation soared in 2022, the US Federal Reserve (Fed) tightened monetary policy at an unprecedented speed – raising the fed funds rate by 450 basis points in just under a year.

The Fed has hiked rates at an aggressive pace



Source: StashAway, Bloomberg

The fed funds rate is the interest rate that banks charge to borrow or lend to each other overnight. It exerts a strong influence on other short-term interest rates, including US Treasury yields – in other words, when the Fed hikes rates, the interest on short-term US government debt also rises. Notably, US 3-month Treasury bills yielded about 4.7% as of mid-February, up from roughly 0.2% at the start of 2022.
In a market where most asset classes saw negative returns, the attractive yields on short-duration bonds provided investors returns on their cash with little to no risk.

The changing macroeconomic landscape has lifted bond yields

As we've crossed into 2023, US inflation has continued to gradually cool and growth remains negative. But signs of stickier inflation, other strong economic data, and more hawkish signals from Fed officials have led investors to reassess the path of interest rates.
In particular, that's resulted in markets shifting up their expectations for the Fed's "terminal rate" – or the peak rate of its hiking cycle – and has lifted bond yields across the board.

Yields could remain high in 2023 as interest rates stay elevated

Since interest rates are a key driver behind bond yields, it's important to understand where rates could be headed. Let's dive in deeper, with a focus on the impact on the "front end of the yield curve", a.k.a. short-dated bonds.

Rate cuts may not happen as soon as markets are expecting

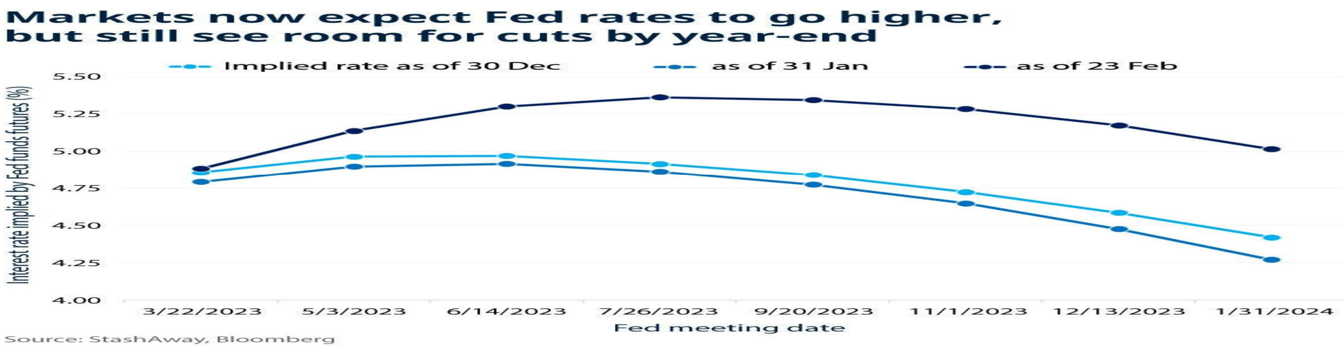
Recent US economic data have shown that inflation may be stickier than investors previously expected. And a still-strong labour market could further add to inflationary pressure in the US.

Fed Chair Jerome Powell has stated that interest rates may reach a higher peak than investors expect if the jobs market doesn't show signs of cooling. Other Fed officials have also emphasised the need for further rate hikes to rein in inflation.

Markets have adjusted their expectations as a result, and now see the Fed hiking its benchmark rate two to three more times this year from its current range of 4.5% to 4.75%.

That's broadly in line with the central bank's latest projections in December. But there is still a disconnect between where investors and the Fed see rates by year-end. While the Fed has consistently signalled that rate cuts are unlikely this year, markets still see some scope for easing toward the end of 2023.

In short, there's still uncertainty over how high rates will go, and more importantly, how long they'll stay there.



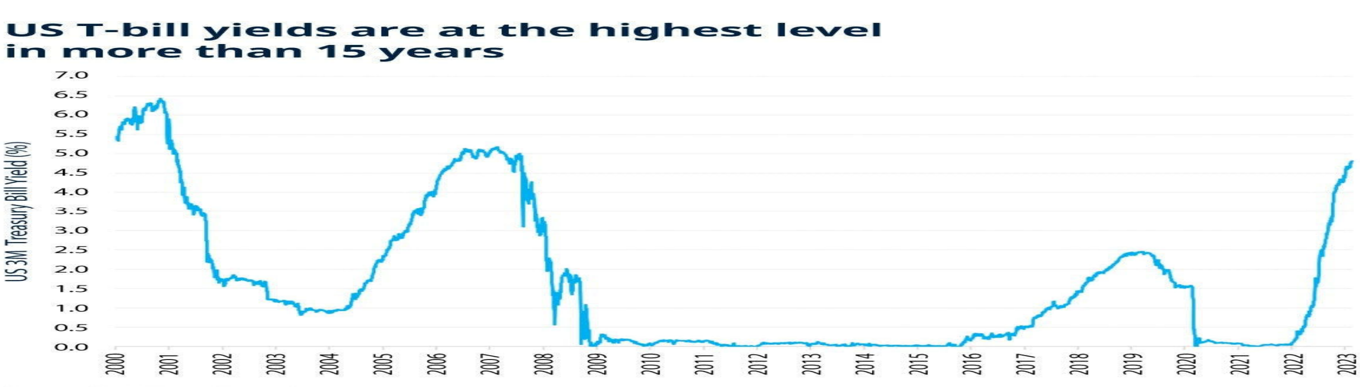
We continue to see opportunities in short-duration bonds

Given that the Fed is likely to remain relatively hawkish in the near term, short-duration bonds continue to provide investors with compelling yields at low risk.

Short-term bond yields are attractive compared to riskier assets

Short-term bond yields currently range between 3-5%, which is compelling from a risk-reward standpoint:

- Long-dated bond yields are actually lower, as markets are pricing in an impending economic slowdown. US 10-year treasuries, for example, are currently yielding around 4%.
- Corporate bond spreads (the difference in yields between a corporate bond and a government bond of the same maturity) are at a historical low.
- Equity valuations are no longer cheap, and company earnings could be at risk if the US slips into a recession.



Short-term bonds offer positive returns versus inflation

Short-duration bond yields are also attractive compared to inflation. While US inflation is still high at 6.4% as of January, it's on its way down. Economists – and the Fed itself – expect it to end the year closer to 3%. And with short-dated Treasuries currently yielding upwards of 4.7%, that points to positive "real returns" – or returns after accounting for inflation.

Here's how short-term bonds can fit within your portfolio

Bonds play a key role in balanced portfolios by providing:

- Diversification - bonds can offset some of the volatility of stocks in a balanced portfolio.
- Income generation - bonds provide investors with income via periodic interest payments. This is especially relevant in the current economic environment given that short-term bond yields are still at decade highs.
- Capital preservation - given their lower risk, short-duration bonds can help preserve the value of your investments through periods of market volatility.

If you're looking for a safer option for your cash, short-duration government bonds offer decent returns in this period of uncertainty. Investing in short-term bonds also means your funds are more liquid compared to options like fixed deposits. That means you have access to your cash in case of an emergency, or when investment opportunities (such as market sell-offs) arise.

If you're looking for targeted exposure to USD-denominated short-term bonds, you can get exposure to US government bonds with 1-3 months remaining to maturity via a cash-equivalent asset in our Flexible Portfolio.

Schedule your consultation with Mike

Click here to join me in a virtual meeting.

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