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We appreciate your introductions to friends, family and business associates, as well as your continued confidence in us.

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Market Update

Stories Can Shape a Market

Stories engage us all and the markets are just full of them.

Competing for an investor's attention, stories can influence markets and investor behavior. Some stories are very believable and others not so much. Nevertheless, as Robert Shiller, the noted Yale Professor and Nobel Prize winner in Economics (2013) has written; "stories help to drive economic events and can help spread financial panics just like an epidemic." (Narrative Economics' Princeton University Press 10/1/2019).

Think about the "narratives" or stories of the last few years. These subjects have ranged from economics, politics, new and revolutionary technologies, alternate forms of currency, healthcare breakthroughs and more.

Stories today abound. Our almost daily high calorie story diet has been focused over the last year on inflation, the direction of interest rates and the Fed. We have also been a bit preoccupied with what technology will soon show up on our many devices and most recently, what a certain outcome in the election could mean for the markets.

As we emerged from the Covid 19 nightmare, we all looked to resume what we all hoped would be a more "normal" life. Getting back to that point wouldn't be easy. Supply chains, product availability, the job market all fueled the narrative around inflation and perhaps an overzealous Fed response. Although we have had a few "false alarms" on Fed easing before, this has been resurrected again as there is some evidence of a gradual slowing of the economy.

The buzz around Artificial Intelligence has been intense and has gripped the market, perhaps disproportionately so. AI in a more basic form is not new. Think of IBM's famous computer and chess wizard, Watson. Now, however, we are moving to the next generation, full of great potential and exciting possibilities. To get there, the market has been focusing almost exclusively on a small group of companies responsible for the building blocks behind this technology. These companies mostly inhabit the semiconductor chip, server and software spaces. The future evolution of AI will then need to build and expand, so "users" will be able to benefit. Not quite there yet but perhaps not all that far away.

For most of this year and for a good portion of last year, the market has focused on a few of the largest companies. These companies, largely because of their respective market capitalization, have been a major influence on the direction of the S&P 500 index. This narrowness, while not necessarily all unusual for periods in market history, needs to be also appreciated for what can also "go wrong." Market history is littered with several discarded stories when conditions change and or new and "better" stories emerge.

We remain strong advocates of a diversified portfolio strategy. As the market does broaden out, such companies in other key sectors could benefit. Going forward we remain on watch for the economy, consumer, any impact from the election and the potentially volatile geographic landscape.

Please be sure to visit our website at

<https://advisor.morganstanley.com/the-marshall-tepper-group>

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The companies identified within are shown for illustrative purposes only and should not be deemed a recommendation to purchase or sell the companies mentioned.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Diversification does not guarantee a profit or protect against loss in a declining financial market.

Past performance of any security is not a guarantee of future performance. There is no guarantee that this investment strategy will work under all market conditions.

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Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

The Portfolio Management program is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities.

Dow Jones Industrial Average is a price-weighted index of the 30 "blue-chip" stocks and serves as a measure of the U.S. market, covering such diverse industries as financial services, technology, retail, entertainment and consumer goods. An investment cannot be made directly in a market index.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

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