CURRENT MARKET CONDITIONS

After a strong rally from a softer than expected CPI report last week, inflation and tightening fears came back into the market this week. Inflation expectations for the year ahead rose to 5.9%, up half a percentage point from September to the highest level since July, according to the New York Fed's monthly Survey of Consumer Expectations. Three-year expectations also accelerated to 3.1%, while the five-year outlook rose to 2.4%, respective increases from 2.9% and 2.2%. Respondents think gas prices will increase by 4.8% over the next year, up from 0.5% in September for the biggest one-month increase in survey data that goes back to June 2013.

At the same time, more consumers are now relying on credit cards to get by, which has helped propel total credit card debt to $930 billion in the third quarter, just shy of the all-time record, according to a new report from the Federal Reserve Bank of New York. Credit card balances climbed more than 15% from a year earlier, the largest annual jump in more than 20 years. This can be a concern for the future in regards to consumer spending. With larger balances and higher interest rates, debt holders could suffer from both higher good/services cost and debt carrying cost. This will make it more difficult to pay off the debt. If the unemployment rate increases it could exacerbate the problem.

Consumers are substantially becoming less confident about the current state of the economy as well as where things are heading, according to University of Michigan Survey of Consumers. The report posted a 54.7 reading for November, down 8.7% from the previous month's reading of 59.9. That was well off the Dow Jones estimate, which forecast the number to be little changed at 59.5. Along with that reading, the current economic conditions index fell 11.9% to 57.8. The index of consumer expectations, which looks at where respondents see things heading in six months, tumbled 6.2% to 52.7.

Boston Federal Reserve President Susan Collins expressed confidence Friday that policymakers can tame inflation without doing too much damage to employment. “By raising rates, we are aiming to slow the economy and bring labor demand into better balance with supply,” Collins said in prepared remarks for a Boston Fed conference on the labor market. “The intent is not a significant downturn. But restoring price stability remains the current imperative and it is clear that there is more work to do.”
This was in stark contrast to what St. Louis Federal Reserve President James Bullard said Thursday that the central bank still has a lot of work to do before it brings inflation under control. “To attain a sufficiently restrictive level, the policy rate will need to be increased further,” he added in the presentation. Bullard’s presentation contended that 5% could serve as the low range for the where the funds rate needs to be, and that upper bound could be closer to 7%. That is well out of sync with current market pricing, which also sees the fed funds rate topping out around 5% by mid-2023.

As more economic data is published, forecasts of what the terminal fed funds rate will end up will start to narrow. In the meantime, you can expect market volatility as expectations rise and fall.

STOCK IDEAS

PayPal Holdings, Inc. is a technology platform that enables digital payments and commerce experiences on behalf of merchants and consumers across the world. It operates a global, two-sided network at scale that connects merchants and consumers with 426 million active accounts across more than 200 markets. The Company helps merchants and consumers connect, transact, and complete payments, whether they are online or in person. PYPL owns several platforms, most well-known for PayPal, Venmo, and Xoom (an international money transfer business.) PYPL is currently trading parallel

Clean Harbors, Inc. is a provider of environmental and industrial services across North America. It is also the re-refiner and recycler of used oil, and the provider of parts cleaning and related environmental services to commercial, industrial, and automotive customers. It has two segments. Its Environmental Services segment collects, transports, treats and disposes of hazardous and non-hazardous waste, including resource recovery, physical treatment, fuel blending, incineration, landfill disposal, wastewater treatment, lab chemical disposal, explosives management and CleanPack with both its 50-day and 200-day moving averages in the mid to upper $80's. Since around May of 2022, PYPL has been trading near 5-year lows.

Fundamentally, PYPL remains solid, with no real structural changes. PayPal's pullback comes from concerns around consumer spending and whether they will be able to continue growing its user base during an economic environment that is putting growing pressures on consumer wallets. Venmo, recently formed a strategic partnership with Amazon giving users the option to use their platform as their default payment method on Amazon's online retail store. In 2017, PYPL traded at the same levels as they are today, but reported earnings of $1.90 per share. This year, they will make over $4 per share, with projections to grow further next year. They hold just under $9 billion in long-term debt on a $100 billion dollar market cap and have over $5.5 billion in free cash flow. PYPL does have its pressures in the upcoming year as prices could lift in the goods and services space to a point that slows consumer demand. We will want to watch this company to see if they are able to maintain their projected earnings in the upcoming quarters. This is however, a fundamentally strong company that should be on your watchlist moving into the new

services. The company generates most of its revenues from the Environmental Services segment. CLH is currently trading around its 50-day moving average. The last four quarters Clean Harbors has outpaced earnings estimates by an average right under 40%. They have repurchased shares in each of the last three years indicating their commitment to creating shareholder value while also showcasing confidence in their business. CLH continues to make capital investments to enhance its quality and comply with government and local regulations. With a push for sustainable clean energy around the globe, Clean Harbors is a compelling company worth our attention. Regulatory requirements are cost-intensive and complicated for in-house disposal. Most companies outsource their hazardous waste disposal needs, and Clean Harbors has proven itself as a leader in North America. We would like to see CLH offer a dividend in the future, but as of now there is no slowdown in the need for the treatment, disposal, transportation, and site decontamination of hazardous and non-hazardous waste which offers significant growth potential for this company in the future. Regardless of the economic backdrop, the service Clean Harbors Inc provides will be a necessity. CLH should be on everyone's watchlist year, and a pullback into the low end of their support range $70-$80 could be a good time to start a position.

moving forward, and if you are looking to build a position in the industrial space, they are worth a look.

PORTFOLIO MANAGEMENT

As rates and most likely taxes continue to rise, savvy investors are taking action in purchasing tax-free securities to cut down on the capital gain tax burden. One such way is to invest in municipal bonds. Small investors can take advantage of municipal ETFs as they offer advantages over purchasing the bond outright.

Municipal ETFs offer investors instant diversification as this is a fund which is professionally managed and holds a broad array of bonds. Management fees and expenses are very low compared to if you had purchased the same amount of bonds from your broker. You will also have a higher degree of liquidity. Owning individual bonds may take time to sell in the open market as they do not have as near the liquidity level as equities. Although there are many advantages including the tax breaks to owing Municipal ETFs, there are also some disadvantages.

One of the biggest disadvantages to owning a municipal ETF is that the individual securities that make up the fund may not correlate to the price of the fund. The fund will trade based on the supply and demand of the shares. This means that a fund can trade at a premium, which equates to paying more than the bonds are actually worth. You should also be aware of the location of the municipalities. If the issuer is located outside the investor's state or municipality, you will have to pay state and possibly local tax on interest received.

Investing in municipal bond ETFs can be an easy way to help reduce your tax burden. However, it is very important to understand all of the investment risks and underlying securities in the fund.

Portfolio Review

Get a second opinion on your current financial picture or more information about our investment programs. Our consultations are completely free and are designated to help guide each individual toward their ultimate financial goals. Click Here to Reserve Your Time.

Schedule a Portfolio Review

CONSUMER WATCH

Thanksgiving is this week, which means Black Friday is fast approaching. All eyes are going to be on the consumer this upcoming Friday, as inflation and hiked interest rates plague the country. Retail stores are already predicting a much softer holiday spending season, and as a result, many stores are dropping prices well below their usual price cuts to entice shoppers. Here are some notable deals happening this Friday:

Target is offering up to 50% off of all electronics, 30% off outerwear and cold weather accessories, 55% off Christmas décor, 20-30% off toys and games, and more. Deals are already starting, and Target will match anything that is bought between now and December 6th if the price drops.

Best Buy is already beginning to slash prices, with some electronics prices being slashed by as much as $400. This sale will last through the end of day Friday.

Macy’s is offering savings on home décor, clothes and gifts for the whole family and is expected to slash its prices to up to 50% on select items on Black Friday.

Chewy, the popular pet brand is offering up to 40% off this holiday season.