~ Prevailing Winds ~

A Quarterly Market Update *September 30, 2023*

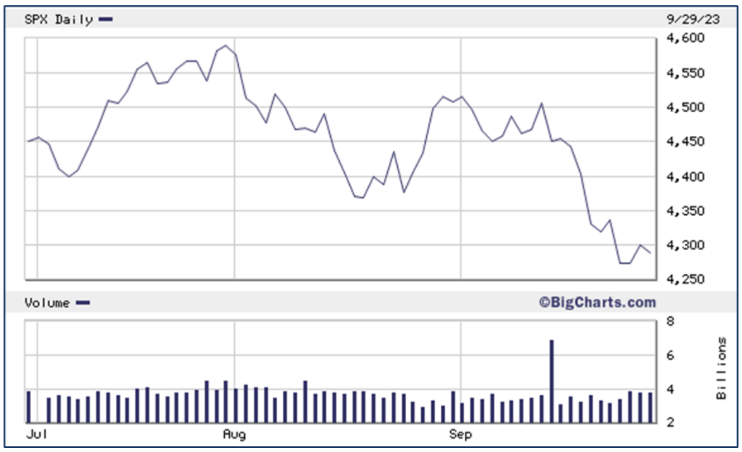
CHARTER RESEARCH *and* INVESTMENT GROUP

Quarterly Recap:

The third quarter was eventful, but failed to provide any resolution to the nagging uncertainty that has persisted all year. We were supposed to have seen a dramatic economic slowdown.....it hasn't really happened. We were supposed to see interest rate cuts.....it hasn't happened. In contrast, we did see a number of unexpected things occur (both positive and negative) that were not expected. As a result, the period of profound uncertainty continues. While this environment is not bad or even unusual, it is not comforting or easy.

Quarter Ending September 30, 2023

Equity Indexes	Close	% Change
DJIA	33507.50	-2.6%
S&P 500	4288.05	-3.6%
NASDAQ	13219.32	-4.1%
Treasuries	**Close**	**Change**
10-Year Yield	4.59%	0.78
2-Year Yield	5.03%	0.16

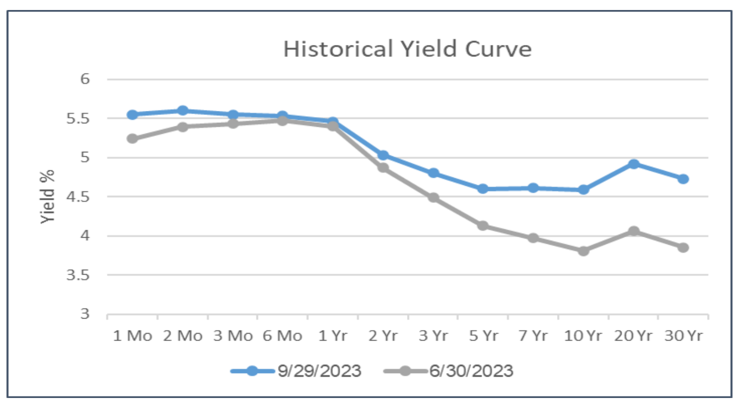


The Stock Market:

Like our world today, stock investors seem to continue to be divided into distinct camps. One segment firmly believes that the high growth areas such as technology and Artificial Intelligence are the antidote for inflation and general economic weakness. The other camp runs on the theory that valuation does in fact matter. They are less enthralled with technology stocks but not necessarily enthused by lower growth companies either. This dynamic has led to a situation whereby if one owed an equal amount of every stock in the S&P 500 this year, your portfolio would not have appreciated much if at all. This is not typical of a robust bull market.

The Bond Market:

Bond investors have finally accepted the message that the Federal Reserve has been sending- To paraphrase, "We are serious about reducing inflation and intend to keep interest rates at levels necessary to do this." This realization has led to a rise in longer term interest rates. The 10-year Treasury now yields 4.59% while long term mortgage rates are well above 7%. The only immediate beneficiary of the current market conditions are investors focusing on short-term debt instruments. For now, these investors are enjoying a rate of return above inflation with little in terms of volatility.



Looking Ahead:

With the final quarter of the year ahead of us, it is still too soon to tell if 2023 will turn out to be a "good" investment year. Technology stocks perhaps have a comfortable margin for error. Investments in short-term debt offer some degree of safety. Unfortunately, for everything else, it is a toss-up and volatility reigns supreme. As we close out 2023, interest rates, inflation, and a potential recession remain the pre-eminent areas of focus. We will have to contend with the unknowns of labor strikes, governmental chaos, and international conflict. Indeed, 2023 might likely turn out to be a good year, maybe even a very good year....but not an easy one.