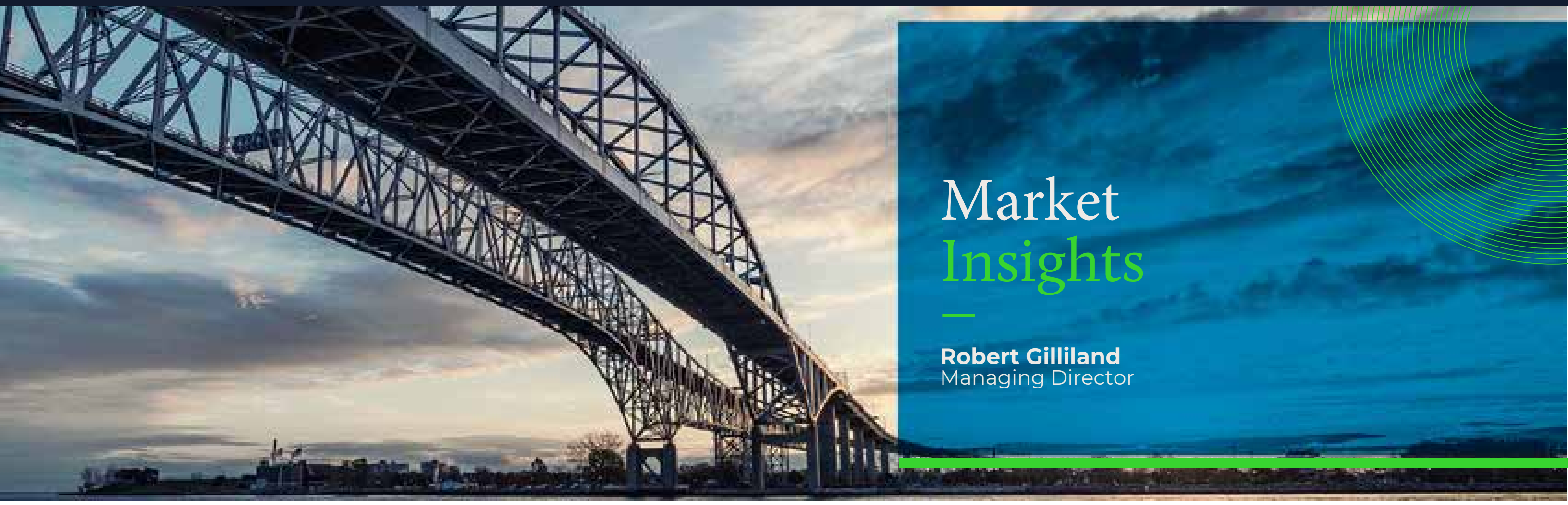
CONCENTURE
WEALTH MANAGEMENT



August 2, 2023

Fitch Downgrades U.S. Long-Term Rating to AA+ from AAA – What does this Mean for Investors?

On August 1, Fitch downgraded U.S. Long-Term Debt to AA+ from AAA with the outlook stable. This matches the downgrade by S&P in August 2011. So, what does this mean for investors?

The last time U.S. debt was downgraded the S&P 500 fell by 15% but recovered within months. We have been highlighting that equity markets are overbought and could pullback 5%-10%. There is good support in the 4300-4100 area but a move to the 4000 can't be ruled out. We believe this is the correction that investors on the sidelines have been waiting for. Markets tend to peak in the summer and enter a correction into the fall months of September and October. Markets historically bottom in October and advance into December. Technology is expected to remain leadership, but will be the hardest hit as it has rallied the most. Also expect other cyclicals to correct. We continue to favor the Industrials.

S&P 500 with Fibonacci Retracement Levels from the October Lows

Source: Bloomberg, August 2, 2023

Long Bond Yields Breakout

The biggest move we see so far is a breakout in the 30-year Treasury Bond. We would expect yields to continue to rally and test October '22 highs of 4.3%. Technicals indicate new highs could be reached. Rates are also moving because of stronger economic data and due to forecast changes by Federal Reserve and other street economists removing a recession call for this year. As for 10-year Treasury yields, the move has been muted. No major technical breakout has occurred thus far, but the market is pushing yields to their highest since the March 4.09% high. Let's see where yields close on the week to determine if there is a change in the trend.

30-Year US Treasury Yields Breakout

Source: Bloomberg, August 2, 2023

10-Year US Treasury Yields Challenging March Highs

Source: Bloomberg, August 2, 2023

We will have a more in-depth analysis on debt downgrade in next week's weekly.

250 W 96th Street, Suite 300
Indianapolis, IN 46260
(317) 975-7729