Courier Capital, LLC
Registered Investment Adviser
An affiliate of Five Star Bank

INVESTMENT COUNSEL

Mike Brace

Steve Gattuso

Bill Gurney

Tom Hanlon

Jim Julian

Bruce Kaz

Randy Ordines

Steve Robshaw

Jason Stronz

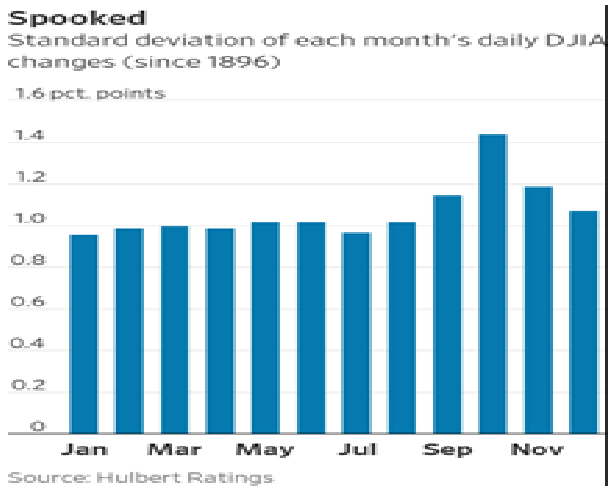
1114 Delaware Avenue
Buffalo, NY 14209
Phone (716) 883-9595
Toll Free: 1-800-783-1086

214 West Fifth Street
Jamestown, NY 14701
(716) 484-2402
Toll Free: 1-877-484-2402

Market Review & Update

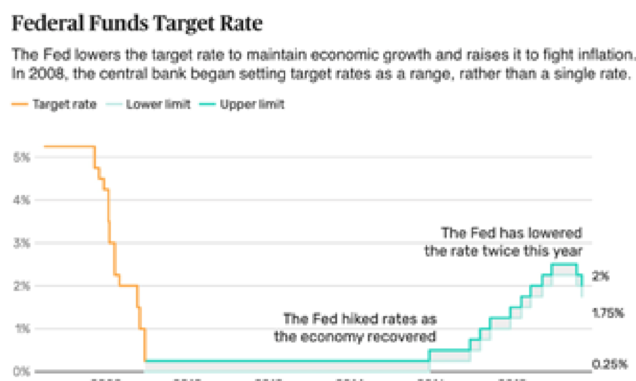
FALL 2019

October is the most volatile month on average and it has not disappointed on that front in its first few weeks of trading. This month tends to have daily return fluctuations greater than all the other months by a noticeable margin and several reasons have been posited for this increased volatility.

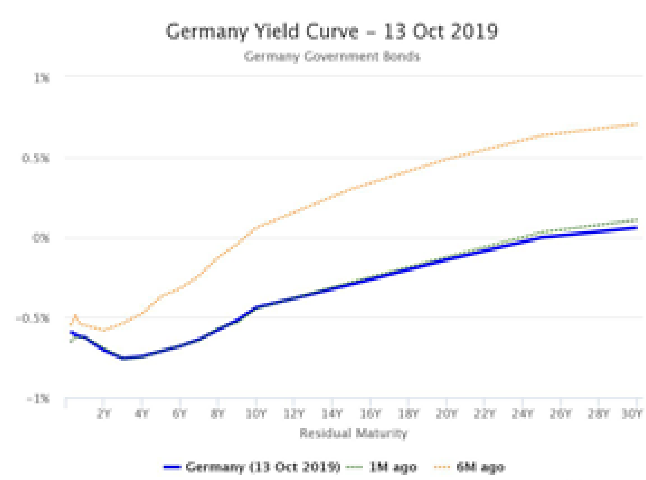


Everything from corporate third quarter earnings releases to seasonal economic factors to national elections have been cited but whatever the ultimate determinants may be, the present global economic and national political environments that we are experiencing may cause us to see continued volatility even as we move out of October and into next year. So with that as our encouraging introduction lets take a peek at what is going on currently.

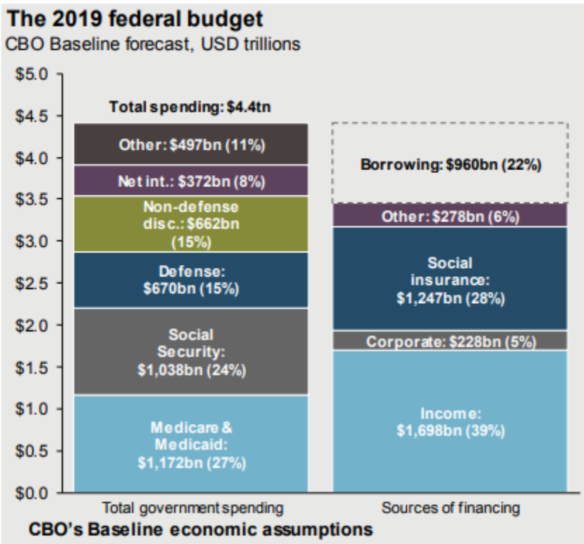
No matter how much politicians try to be omnipresent and have had some success in moving the markets temporarily, the Federal Reserve (Fed) and the economy are the factors that will provide the ultimate direction for the markets. The third quarter of 2019 saw the Fed lower interest rates for the first time since 2008 when they drove short term rates down to the lowest practical rate (or so we thought) of zero.



Since that time other countries have raised the ante and pushed rates below zero with Germany and others providing investors with negative yields for nearly every maturity from three months to thirty years. The Fed termed their interest rate cuts as a "mid-cycle adjustment" and not part of a strategy to lower interest rates further. The market however is betting on an additional cut in the short term funds rate when the Fed meets again on October 30th. These past and future potential interest rate cuts can help prevent a sustained inverted yield curve and get in front of a potential slowdown but it also means less interest income potentially from fixed income portfolios potentially pushing some investors to search for yield in riskier asset classes.

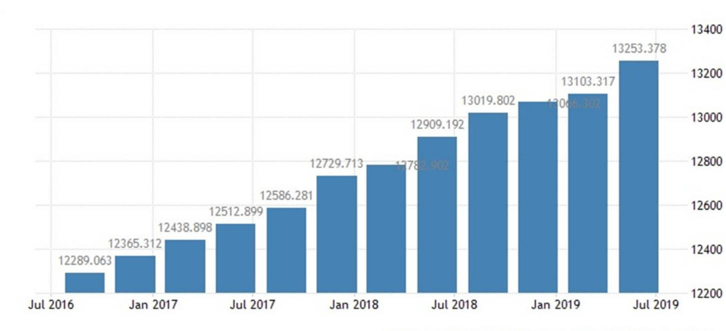


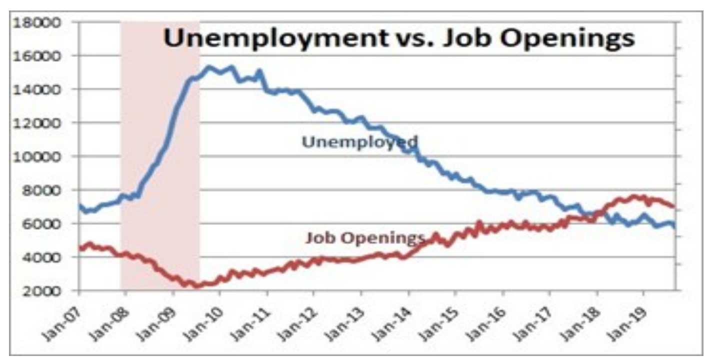
A thankful beneficiary of lower yields is the federal government which continues to borrow (spend!) at close to historically low interest rates. The expected budget deficit of almost one trillions dollars is projected to continue for



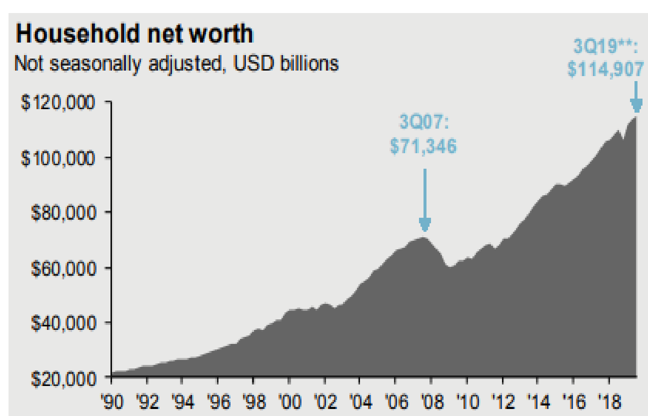
as long as government forecasters can see. Admittedly government budget forecasters predictions are typically not very accurate when looking out more than a few years due to economic and political changes but they are a bit better than Microsoft CEO Steve Ballmer's forecast in 2007 when he said "There's no chance that the iPhone is going to get any significant market share. No chance." The structure of the federal budget and the fact that finding any adults in Washington DC is as rare as one of your Courier Capital portfolio managers getting a hole in one in golf means that we will likely see considerable budget deficits for the near term future. The expectation is the US and many other national governments are relying on low interest rates to help stimulate their economy to a point where tax receipts will bring in enough revenue to cover the cost of higher interest rates on their debt but the reality is spending equals votes and any excess funds will more than likely find their way into new or more spending.

The economy has slowed a bit but continues to grow at a slightly faster than 2% pace though there are a few headwinds. The US-China trade dispute continues with a verbal Phase 1 deal agreed to at this point and the General Motors unionized workforce is still on strike with small ripple effects beginning to manifest but many data points





signal continuing optimism. Unemployment is near historic lows at 3.5% with over a million more jobs open than individuals seeking a position (7,051,000 open jobs versus 6,000,000 people looking for work), the US consumer has remained resilient as household spending is rising at a strong pace, household net worth is at an all-time high, and overall inflation has been running below 2% so we are enjoying moderate growth without the pressure of increasing inflation providing an environment for potential future equity gains. As we move into next year we will continue reading the tea leaves for signs of any changes to this economic climate.



We will talk to you soon!