Roffman Miller
Wealth Management

outlook

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Predicting the end of a bull market is challenging, if not impossible

The Fed's Conundrum

If you follow the news, it's impossible to ignore the many risks to our economy. Every day, I hear about an AI bubble, overvalued equity markets, the war in Ukraine, geopolitical tensions, tariffs, government shutdowns, and now rising unemployment. Despite all of this doom and gloom, markets continue to climb. Investors remain optimistic, corporate profits are strong, the Fed is becoming more dovish, and efficiencies expected from AI are projected to boost corporate earnings for the foreseeable future.



Bob Hofmann
President

Predicting the end of a bull market is challenging, if not impossible. Many readers remember the dot-com bubble. In a speech to the American Enterprise Institute, Fed chairman Alan Greenspan warned investors about a stock market bubble, using the term "irrational exuberance" to describe investor behavior in what he believed was an overheated stock market. Many remember the quote; however, most people don't recall when Greenspan gave this speech. It was December 5, 1996, and the bull market did not end until 2000. Greenspan was early; the market rose 33% in 1997, 28% in 1998, and 20% in 1999. The point is that bull markets often last much longer than most people, even Fed Presidents, expect. This market is very different from the dot-com era.

During the dot-com era, most new internet companies were losing money, and many eventually went bankrupt. The best-known company to emerge from the dot-com era was Amazon, which lost $720 million in 1999 before becoming dominant. Today, Nvidia is the face of the new AI era. Last year, Nvidia posted a profit of $72.88 billion! Another modern AI standout is Microsoft, which reported earnings of $281.7 billion for the fiscal year ending June 30, 2025.

As an investment advisor during the dot-com era, I remember when earnings seemed irrelevant. Analysts valued companies based on the number of clicks on a website, which today may sound preposterous. It sounded ridiculous at the time, too. From its peak in March 2000, the Nasdaq index fell nearly 78% by October 2002. This is not the dot-com revolution; it is the AI revolution, and it is very different. AI is primarily focused on profits and efficiencies—a complete reversal from the 1990s markets. While some AI companies may fail, at Roffman Miller Wealth Management we invest only in fundamentally sound businesses. At the risk of offending Sir John Templeton, this technological revolution is different.

Templeton, a legendary investor who passed away in 2008 at age 95, once said, "The four most dangerous words in investing are: "This time it's different." The quote was meant to warn investors that each bear market is not due to unprecedented circumstances. It has more to do with investor psychology. He urged adherence to long-

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UNEMPLOYMENT RATE



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standing investment principles, emphasizing that profits and valuations matter. Templeton was right, and at Roffman Miller Wealth Management, we adhere to the same fundamentally based investing principles that made Templeton a legend in the investment community.

Some people compare the AI revolution to a baseball game, saying we are in the early innings. I disagree. Using the same analogy, I would say we are still at the T-ball stage. AI is up to bat, but it is just beginning and has a long way to go. I believe the AI technology cycle will have a more significant impact than the internet. The next decade should be a remarkable ride!

Now to the Fed. It cut interest rates by .25%, a symbolic move with little economic impact. Powell himself admitted, "I thought a quarter point won't make a huge difference to the economy." Some pundits are saying this interest rate cut was politically motivated. I disagree. I think the Fed simply does not know what to do. It has two mandates: maximum employment and stable prices. Unfortunately, both mandates are currently at odds with each other. Inflation data is uncertain because of several new tariffs scheduled to take effect, and employment data is weakening. Lowering rates should help businesses and consumers with cheaper borrowing costs. Historically, lower interest rates have boosted business confidence and led to increased hiring. However, they can also raise inflation because consumers have more money to spend as the cost of debt falls. The Fed is caught between a rock and a hard place. So how did the Fed respond? It punted and made a meager 0.25% rate reduction. In response to this dilemma, on September 16, the US House Financial Services Committee reintroduced the Price Stability Act. If passed, this act would remove the Fed's dual mandate and require the Fed to focus only on price stability. The bill is currently in the House Financial Services Committee and is being debated.

On September 30, Fed Vice Chair Jefferson warned that the job market could face stress without central bank support. He added that he supported another 0.25% rate cut at the September 16–17 policy meeting, saying "The labor market is softening, which suggests that, left unsupported, it could experience stress." He also expressed concern about the impact of tariffs on inflation. While the effects of tariffs so far have been less than many economists expected, Jefferson thinks tariffs will impact inflation in the coming months. I get the sense that the Fed doesn't know what to do. As a result, it'll likely make minor changes and remain flexible as new data becomes available.

The next jobs report is scheduled for release on October 3rd. However, with the current government shutdown, the Bureau of Labor Statistics (BLS), which provides the most reliable jobs data, is closed. Consequently, the Fed will have to rely on data from ADP. Although not the BLS, ADP data is still trustworthy. ADP has a database of about 26 million workers. The US has nearly 136 million private-sector workers, so ADP's payroll data is the next best thing.

The Fed's primary reason for cutting interest rates was the cooling job market. Yet the unemployment rate is only 4.3%, historically a healthy job market. However, the pace of new jobs being created is what really got the Fed's attention. At the last Fed meeting, companies were hiring 150,000 workers per month. Over the past three months, only 29,000 workers were hired per month. The Fed expects unemployment to rise to 4.5% this year before falling to 4.4% in 2026, 4.3% in 2027, and 4.2% in 2028. In his most recent speech, Powell stated that Gen Z's hiring challenges are real—and not only due to AI taking entry-level jobs. He and many economists blame the "no hire, no fire" business stance that has caused this nightmare. Although businesses are not laying off workers, they're not hiring either. The Fed is attempting to instill confidence in the business community, and several rate cuts should achieve this goal. However, going too far with interest rate cuts could cause an inflation problem.

As noted in past newsletters, the Fed's preferred inflation gauge is the Personal Consumption Expenditures Index. The Fed has a 2% inflation target, and it is predicting a 3% year-over-year inflation rate for the fourth quarter of 2025. For 2026, the Fed expects inflation to decrease to 2.6%, then 2.1% in 2027, before finally reaching its 2% target in 2028.

The Fed faces a conundrum: It must create jobs while keeping inflation in check. This is a difficult balance, with unemploy-

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PERSONAL CONSUMPTION EXPENDITURES (PCE) EXCLUDING FOOD AND ENERGY (CHAIN-TYPE PRICE INDEX)



"I thought a quarter point won't make a huge difference to the economy."

Jerome Powell

Let's make sure your trip is memorable for the right reasons

Travel Insurance: Why It Matters for Medicare Travelers

Traveling during retirement can be one of life's greatest pleasures—finally getting the chance to explore those dream destinations. But if you're on Medicare, there's something important you should know before you take off: Medicare typically doesn't cover medical expenses outside the U.S. That means if you get sick or injured while abroad, you could be left paying the full cost of care out of pocket.

That's why many Medicare beneficiaries are choosing to include travel medical insurance in their essentials—right alongside their passport.

Even if you're traveling within the U.S., Medicare will cover your medical needs—but it won't protect you from the non-medical hassles that can derail a trip, like cancellations, delays, lost baggage, or emergency transportation needs.

That's where a broader travel insurance policy comes in—helping protect your trip, your finances, and your peace of mind.

MEDICARE'S LIMITED COVERAGE OVERSEAS

For the most part, Original Medicare does not pay for health care outside the U.S. – meaning if an illness or accident happens abroad, Medicare won't foot the bill. At best, Medicare's protection overseas is limited to very specific emergency situations, and it won't cover ongoing care or prescriptions you might need outside the country.

Even if you're enrolled in a Medicare Advantage plan, coverage varies greatly from one plan to another. Some plans may offer emergency coverage abroad, but every plan is different. It's essential to know exactly what your plan does (or does not) cover before your trip.

WHAT ABOUT MEDIGAP PLANS?

Some Medicare Supplement (Medigap) plans do offer limited foreign travel emergency benefits. Specifically, Medigap Plans C, D, F, G, M, and N cover 80% of the billed charges for certain medically necessary emergency care received outside the U.S., after a $250 deductible and up to a lifetime maximum of $50,000.

While this is helpful, it's important to recognize that this benefit is limited in both scope and amount. It applies only during the first 60 days of a trip, and the $50,000 lifetime maximum can be quickly exhausted in the event of a serious medical emergency or evacuation.

WHY TRAVEL INSURANCE IS WORTH IT—EVEN IF YOU'RE NOT LEAVING THE U.S.

Travel is exciting, but it can also be unpredictable. An unexpected illness, a trip delay, or even a lost suitcase can quickly turn a relaxing trip into a logistical and financial headache.

A standalone policy can offer peace of mind by covering what Medicare and Medigap leave out—whether you're headed across the country or across the ocean.

Here's what it can include:

- Emergency Medical Care: Covers hospital stays, doctor visits, or urgent care treatment if you become ill or injured while travelling, particularly helpful when you're far from your regular providers.
- Emergency Evacuation or Transportation: If you need to be moved to a more advanced facility or returned home due to a medical issue, travel insurance can help with those high costs.
- Trip Cancellation or Interruption: Reimbursement for pre-paid, non-refundable expenses if you need to cancel or cut your trip short due to illness, weather, or other covered reasons.
- Lost or Delayed Baggage: Helps replace essential items and personal belongings if your luggage is lost, stolen, or delayed in transit.

These benefits are especially valuable for retirees who travel frequently, whether for pleasure, family visits, or seasonal relocation.

PEACE OF MIND FOR EVERY JOURNEY

You hope you'll never need to use travel insurance—but if something does go wrong, you'll be incredibly grateful it's there. It's not just about the bills—it's about having support when you're away from home and managing the unexpected without the stress.

LET HTA INSURANCE HELP YOU TRAVEL CONFIDENTLY

Before your next trip, we invite you to connect with an HTA Advisor. We'll help you understand what your Medicare plan covers while traveling—and where travel insurance can step in to protect your health and your wallet.

Let's make sure your trip is memorable for the right reasons.

Learn more or get in touch at hta-insurance.com/travel-insurance

Or call us at 610-430-6650, Option 1

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Fixed Income Corner: A Tale of Two Curves

The Dickens classic, *A Tale of Two Cities*, opens with, "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief…" I am no literary scholar, but I do feel like we can draw some parallels between Dickens' words and our current economic and market environment and how that is being reflected in the yield curve for our purposes in the Fixed Income Corner.



Ryan Crooks
Senior Investment Manager

The best of times is certainly represented by the resilient U.S. equity markets which have barely acknowledged any economic concerns since the tariff policy pivot back in April. The worst of times would be too strong and dour a representation even for the pragmatic fixed income markets, but perhaps "time of concern" might be more appropriate if you'll allow me some literary license. There has been a considerable amount of interest rate volatility over the last 3 years with five noticeable peaks and troughs over that time frame as the market has swung between recession concerns and rate cuts versus persistent inflation.

This continues to be the "balance of risks" the Federal Reserve references, even though policy has most recently picked a side in supporting the weakening employment environment with rate cuts, at least for the time being. This is where the tale of the two curves comes into play as can be seen on the "current" yield curve below. The short end of the curve is still inverted until about 3 years, indicating the market expects the overnight policy rate cuts to continue in support of employment, whereas if you move out further on the curve to beyond 5 years you'll see the concern of persistent and potentially accelerating inflation reflected in the steepness of the curve. Practically speaking, I think the yield curve is telling us and providing us with an opportunity to continue to lock in yield by moderately extending our maturities instead of just waiting around to see how low the money-market rates will go. If employment continues to weaken and economic growth begins to follow, the longer-end concerns about inflation will abate and the opportunity to lock-in yields will be gone, and it's very hard to wish rates higher. I've tried!

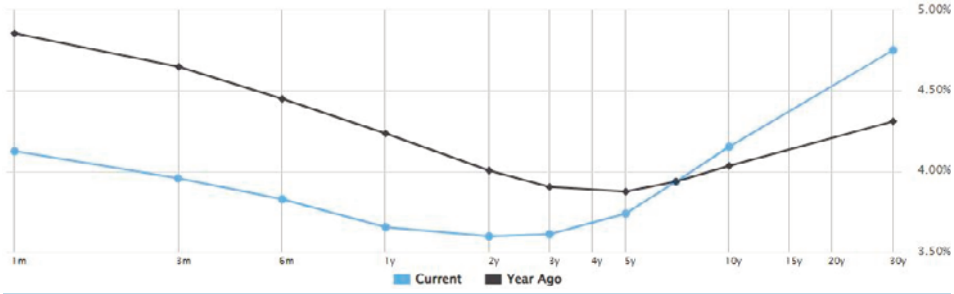
In case you were wondering, AI represents the wisdom, the foolishness, and the epoch belief!

Ryan Crooks
Senior Investment Manager and
Head of Fixed Income

MARKET YIELD ON U.S. TREASURY SECURITIES AT 5-YEAR CONSTANT MATURITY, QUOTED ON AN INVESTMENT BASIS



YIELD CURVE



This is where the tale of the two curves comes into play as can be seen on the "current" yield curve.

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The Fed's Conundrum

ment posing a downside risk and inflation presenting an upside risk. Recently announced tariffs on lumber and furniture will only make the Fed's job more difficult.

How do you invest in a world where there are military wars, trade wars, geopolitical concerns, government shutdowns, rising unemployment and unsettled tariff policies? We must remain focused on the long term and invest in high-quality stocks and bonds. In turbulent times, our high-quality investment approach has consistently proven prudent. I would expect minor adjustments around the edges, but our core investment approach remains unchanged. If you would like to review your overall allocation and financial plan or discuss how to put additional cash to work, please contact your Roffman Miller Investment Advisor. On behalf of our entire team, thank you for your trust and confidence.

Bob Hofmann CFP®, President

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- **It's Informative** – You can quickly reference unique insights as you manage your personal wealth.
- **It's Convenient** – You can easily access important information and organize documents to fit your needs.

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