the financial services industry to help our clients navigate their many financial issues and needs. Her email address is **acole@sprengcapital.com.** Please join us in welcoming Anne to our firm.

If we do not have an email address for you, I strongly encourage you to make sure that we have one. Events move very quickly right now and sometimes we have found it necessary to send out several email alerts to everyone for whom we have an email address.

We thank you for your confidence and trust in us. No one said securing a viable financial future is easy; nor should it be. There are many challenges and headwinds that we will face every day. The markets contain risk and they offer reward. Our task is to balance the two and to deliver good returns with an acceptable amount of risk.

If you don't remember anything else from this newsletter, please remember this from Tracy Alloway a financial blogger. "Risk is not a fluctuating account value. Real risk is arriving at a point later in your life and discovering that you have not saved enough or taken enough risk with your investments to lead the lifestyle that you had hoped to lead." You don't want to take more risk than is necessary, but there is no reward without risk. Volatility always accompanies risk.

If you have questions about your holdings or about the general condition of the economy, please contact us at once. Our email addresses are **jspreng@sprengcapital.com**, **tbrown@sprengcapital.com**, **acole@sprengcapital.com** and **lemory@sprengcapital.com.** Please be assured that we are monitoring market situations at all times.

If there have been any changes in your financial circumstances of which we should be made aware, please notify us at once. If you would like a copy of our most recent Form ADV, Form CRS or our Privacy Policy, please call the office. If you have not visited our website, please do so at **www.sprengcapital.com**

We appreciate the opportunity to work with you, your families and your businesses. We are very grateful for the many referrals that you have provided to us. We can think of no greater compliment than to have you recommend us to your family and friends. We will continue to do our very best to provide you with healthy, consistent returns with a minimum of risk. Always remember, "Investing is a marathon, not a sprint."

The views expressed in this newsletter represent the opinions of Spreng Capital and are not intended to predict or depict performance of any investment. All information contained herein is for informational purposes and should not be construed as investment advice. It does not constitute an offer, solicitation or recommendation to purchase any security. The information herein was obtained from various sources; we do not guarantee its accuracy or completeness. Past performance does not guarantee future results. These views are as of the date of this publication and are subject to change. Spreng Capital Management, Inc is an SEC Registered Investment Advisor. Registration with the SEC does not imply a certain level of skill or training. Additional information about Spreng Capital is available on the SEC's website a www.adviserinfo.gov.

"Investing is a marathon, not a sprint."

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Monday-Friday 8:30am-4:30pm
Closed 12:00pm-1:00pm

Fall
2023

Spreng Capital Management Inc.

Spreng Capital Management is an investment advisory firm with the Securities and Exchange Commission. Founded in 1999 by James Spreng, Spreng Capital has grown to encompass the very best in service and support for our clients.

Our client base is quite diverse. With clients in 23 states, we offer structured, customized investment management for individuals, profit sharing plans, Foundations, endowments and businesses. We are fee only investment managers, receiving no commissions nor do we sell any financial products. We are paid only by the investment management fees of our clients. We advise our clients on financial planning and manage their assets, making recommendations based entirely upon our clients' needs and goals. Everyone on the Spreng Capital team has a vested interest in the success of our clients' portfolios. Our team has a unique blend of experience, youth and business credentials.

Our use of high quality stocks and mutual funds along with investment grade bonds, allows us the opportunity to deliver consistent long term returns. We focus on minimizing risk and volatility, striving ultimately to deliver the very best after-tax returns possible, within the constraints you have established.

There is nothing that signals success more than referrals from existing clients. Our success is a result of our clients' continued confidence in us and their willingness to recommend us to their family and friends.

"Europe's a museum, Japan's a nursing home, and China is a jail. The United States is a business, for better and for worse."

Larry Summers & Nick Colas

There is a legend associated with the development of the game of chess. The inventor of the game showed it to the Emperor of India. The Emperor was so impressed that he said to the man, "Name your reward." Supposedly, the man said "Oh Emperor, my wishes are simple. I only wish for this, give me one grain of wheat for the first square on the chessboard, two grains for the next square, four for the next square, 8 for the next, and so on for all 64 squares on the chessboard with each square having double the number of grains of wheat as the square before it." The Emperor readily agreed, amazed that the man had asked for so little. After a week, the Emperor's treasurer came to the Emperor and informed him that the amount of wheat was an astronomical number. The tons of wheat to fill the 64 squares on the chessboard were far greater than all of the wheat that could possibly be grown in many centuries. The legend says that the Emperor was either so impressed by the man's intellect that he immediately gave him a position in his court or…had him executed on the spot for making a fool of the Emperor!

Index	3rd QTR	YTD
DIJA	(3.4%)	1.09%
NASDAQ	(4.13%)	26.30%
S&P 500	(3.64%)	11.70%
10-Year Treasury		4.59%
30-Year Mortgage		7.31%
Unemployment Rate		3.80%
U.s. Inflation Rate		3.67%

What is the purpose, in an economic newsletter, of a story of a game invented 1500 years ago? The story of the payment is an extreme example of exponential growth. You start out with a very small amount and soon the growth is astronomical. It is possible, we will only know after the fact, that the technological revolution that started with the first computer during World War II is on the 32nd square of the chessboard. The growth from here in technological advances may be exponential. That is the "promise" and possibly the "curse" of Artificial Intelligence. This is why tech stocks have done so well this year while the other 493 stocks in the S&P 500 index have had such mediocre performance. Investors are anticipating what square 48 and square 54 possibly could look like. Will we find cures for diseases? Will we solve atomic fusion as an energy source? Will we find clean, light-weight, long-lived rechargeable batteries for electric vehicles? Will we grow more food on fewer acres? Will we develop completely autonomous vehicles that drive themselves with no human intervention? This is the promise of AI and exponential growth. We may actually only be on the 8th square or the 13th square with so much more to come than we can even imagine. Only time will tell how this all plays out from this point in time.

The U.S. equity markets have been quite resilient in 2023. The Federal Reserve has been raising interest rates, inflation still remains stubbornly active and Congress continues to embarrass themselves and their constituents on a daily basis but still the markets have managed to generate solid returns through the first 9 months. The Federal Reserve raised interest rates on July 26th another 0.25% to 5.5%, the highest interest rate in 22 years. The interest rate is finally at approximately the same rate as the rate of inflation. We have advocated the need for this to occur many months ago. In response, the markets struggled in August and September. However, they tend to struggle every year during these two months. It was a little more pronounced this year due to the dawning realization that Congress may be unable to pass legislation to keep our government open after October 1st as well as the strike affecting the auto industry. This newsletter goes to press before October 1st so it is possible that both Congress and the U.A.W. will have resolved their issues before the deadlines, but unlikely. I am an equal opportunity cynic so I find both political parties particularly abhorrent right now. One party has a Representative on video groping her date and vaping in a public theatre. Of course, she denied it until the video surfaced and then she issued some inane excuse. The other party has a Senator wearing a hoodie and shorts onto the Senate floor so he can portray himself as a "man of the people" even though he comes from wealth and privilege. And last but not least, a Senator was indicted a second time on bribery charges. No one will ever confuse any of our current Congress members for "Honest" Abraham Lincoln. One final point, if Congress fails in their responsibilities to fund the government, 4 million Federal workers will go without paychecks. Millions more who rely on, or work with, the government will be affected financially. Guess who will continue to be paid, every member of Congress! The 27th Amendment forbids Congress from raising, lowering, or withholding their salaries during their current term.

The auto strike is fascinating. I certainly understand why the Union demands more compensation and benefits since the auto companies have generated record profits with the sale of large pick-up trucks. But they are certainly tone-deaf demanding a 32-hour work week and a 40% pay raise while many of their countrymen and women are struggling with the insidious pain of inflation. There is no more regressive tax on the poor than inflation. The public is painfully aware of the cost of vehicles right now. Consumers are viewing the rising costs of vehicles, resulting from higher loan interest rates and the demands of the Union, with a healthy dose of skepticism. This is even more interesting when you realize that the stock markets are currently projecting that only two car companies will even survive in the long-term! The valuations that the investors of the world are placing on all of the existing car companies seem to indicate that they think that only Tesla and Toyota will survive long-term. I personally do not think that this is accurate but the car business is a very brutal business to be in and deep-down the auto workers know this fact. Two of the three auto companies in the U.S. went bankrupt as recently as 2008 and had to be bailed out by the American taxpayer. The U.A.W. is trying to get what they can, while they can. That is their job and I do not criticize them for their attempts. It just may accelerate their decline. There are multiple car companies in the U.S. that are non-union and consumers have choice. While the strike definitely will affect local economies where the strikes occur, the industry does not have the impact that it did in the 1970s. The auto industry as it is currently comprised in the United States only makes up 2% of total Gross Domestic production or GDP.

Inflation continues to remain "sticky." While the Federal Reserve continues to raise interest rates in an attempt to slow down consumption, the Treasury has also reduced the supply of money in the economy by 3.6%. What is interesting is that since 1960, we have ***never*** reduced the supply of cash in the economy. The problem is that the Federal government implemented the Inflation Reduction Act which is certainly a misnomer. An infrastructure bill, even though it was desperately needed to repair bridges that are falling down and crumbling roads and electric grids, does not help slow down an over-heated economy running 3.5% unemployment. The CHIPS Act to subsidize the semi-conductor industry, which was deemed necessary as a national defense need to decrease reliance on China in our current trade-war with China, certainly does not curb inflation! These kinds of legislation are traditionally used to drag an economy out of a recession. Again, the Democrats are not the only ones involved in these questionable stimulus packages. President Trump ran trillion-dollar deficits with 3.5% unemployment during his term as well.

The continuous discussion for 2023, and into 2024 which is right around the corner will be, will the higher interest rates shove the U. S. economy into a recession? Full disclosure, I (Jim) fully expected the economy to be in a recession by now or at least quickly approaching one. We have the highest interest rates in 22 years and still the American consumer continues to spend money. Every time we have experienced inflation above 5% the economy has slid into a recession because of hikes in interest rates and rising unemployment cooling off consumption. Again, every time. What is different this time is the job market. There are still jobs that are not filled. Demographics and Covid exposure drove many baby-boomers into retirement. We always have known that this retirement wave would be inevitable but the economy was still not prepared for it when it occurred. If you told someone eighteen months ago that interest rates would be above 5.5% but labor would still be in demand you would have been met with skepticism and rightfully so. Can you have a recession with full employment?

Inflation remains sticky because of wage increases and the price of oil rising. Saudi Arabia has decided to limit the oil that they release in order to raise the price and possibly exert influence in Western Europe and United States politics. This has caused the price of gasoline in the U.S. to rise which definitely affects our inflation rate. Historically, oil spikes affect economies much more than gradually rising oil prices. Any time the price of oil doubles in a year, the U.S. economy slides into a recession. This was true in 1990 with the invasion of Kuwait and again in 2000 and 2008. Oil around $90 a barrel right now is only 7% higher than September of 2022's $86 a barrel. Oil was around $70 in May of this year so $140 a barrel would appear to be the inflection point on oil.

I have spoken too many times about inflation, gas lines and stagflation in the 1970s. To summarize, oil went from $1 to $40 a barrel. Oil today would be $3600 a barrel if we experienced the same rapid increase. Inflation rose to 14% and interest rates topped out at 20%. That being said, inflation rates today are calculated differently than they were in the 1970s. The housing component of inflation has been calculated differently. In the 1970s, Homeownership was 25% of the Consumer Price Index or CPI. Interest rates on mortgages made up half of this 25% so when mortgage rates were rising rapidly to 16.4% a year, inflation soared. The CPI in 2022 is calculated using Owners Equivalent Rent or OER which is based on a survey of homeowners telling how much they would charge for rent on their home. I apologize for getting "wonky" on these numbers but it is important to understand. This different calculation guaranteed that inflation in 2022 would not get as high as the numbers in the 1970s but our current inflation numbers will go down more ***slowly*** because of these changes. Inflation will remain "sticky."

Inflation today more resembles the inflation post World War II due to Pandemic dollars and post War spending than it does the 1970s. In the 1970s the Ayatollahs took over Iran, OPEC was formed, and the price of oil skyrocketed. President Nixon took the United States off the Bretton Woods Agreement to back every dollar we printed with gold and President Ford allowed Americans to buy gold coins and bullion again for the first time since 1933 in the Great Depression. There were a lot of factors during the 1970s that made it a particularly brutal experience with inflation and the resulting stagflation. Are we experiencing the "Immaculate Disinflation" where we can force inflation back to the desired 2% a year without forcing massive unemployment and an accompanying recession? It is possible, but it has never been done before. The economy is slowing down, but full employment still remains elusive. There are 1.5 open jobs advertised for every 1 unemployed worker. Office occupancy rates hit 50.4% last week. It was over 96% before the pandemic indicating that employees still have the upper-hand in negotiations with employers who want all employees back in the office. We remain fixated on the price of oil, the auto strike, the looming government shut-down and the re-institution of student loan payments on October 1st. We certainly continue to monitor the situation closely and will manage your investments as appropriate.

We are very pleased to announce the addition of Anne Spreng-Cole as a Financial Advisor with Spreng Capital Management, Inc. Anne brings over 26 years of financial experience in the banking industry to our firm and our clients. Anne and her husband, Joe, and their son Will, also crop farm and operate a large dairy farm in Crawford County. Her experience in the financial services industry brings a new level of service to our clients and their businesses and families. Anne began on September 1st and is already sitting in on client meetings and on-boarding new clients. This is a wonderful opportunity for our firm and clients. We are adding an experienced member of