

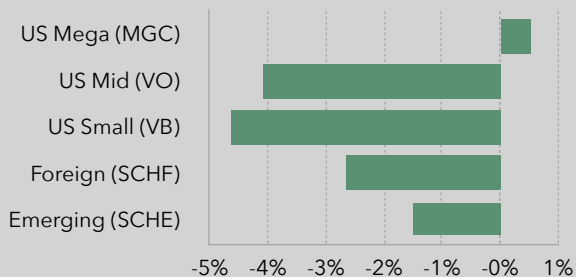
September 2026

Economic Data

- Payrolls rose only 29,000 in September and the unemployment rate edged up to 4.2%
- Retail sales were up 1.2% in August, with higher gas prices increasing gas station sales 3.1%
- Year-over-year CPI inflation held steady at 3.4% in August, while core inflation, excluding food and energy, declined to 2.4%
- Existing-home sales fell 2.0% in August and 1.2% year over year; the median sales price declined from July to \$429,100 but remained 1.6% above its year-earlier level

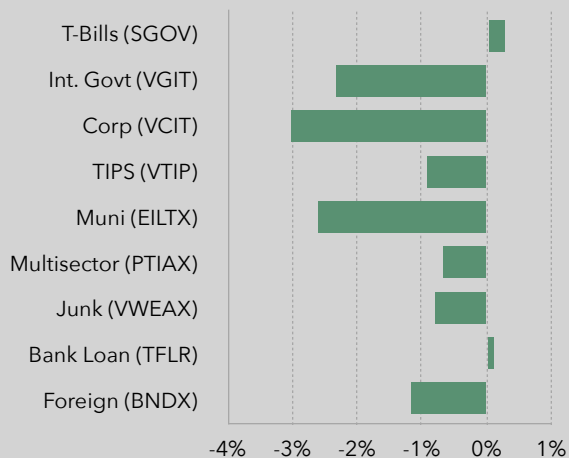
Stocks

September Returns



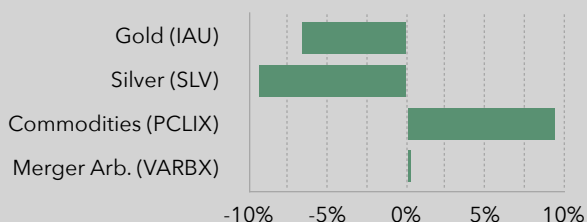
Bonds

September Returns



Alternatives

September Returns



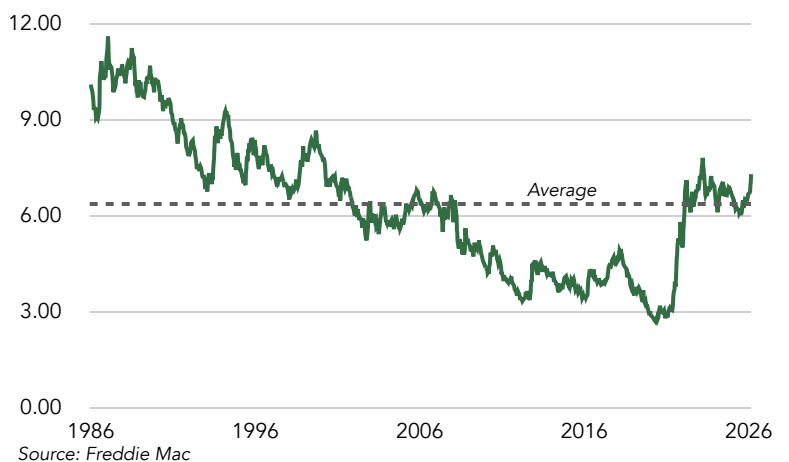
Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slower, more reflective, and more deliberate. It is that second system — type 2 — that we want in control of our investment portfolios.

Home Buyers and Sellers Have Reached an Impasse

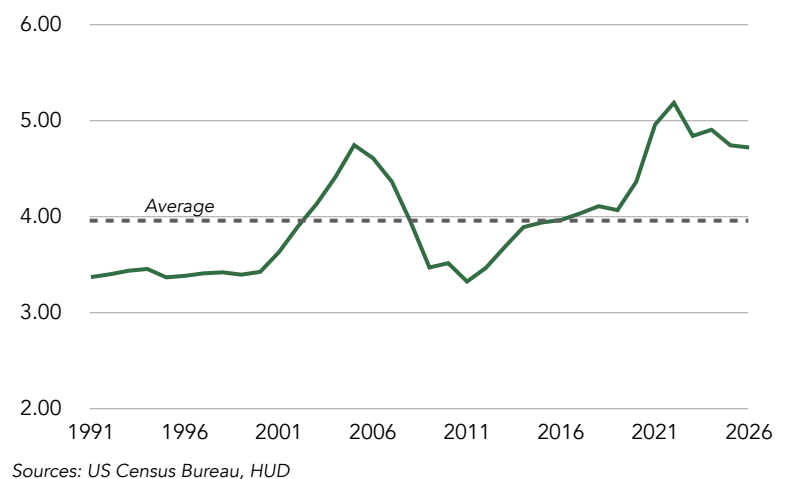
In 2022 I wrote a lot about a coming ice age in the real estate market. With mortgage rates climbing again—up to 7.40% now from this year's low of 5.98%—I thought it would be nice to check in and see how that's going. Pretty much as expected, actually, with the pace of existing home sales down 41% from the pandemic peak.

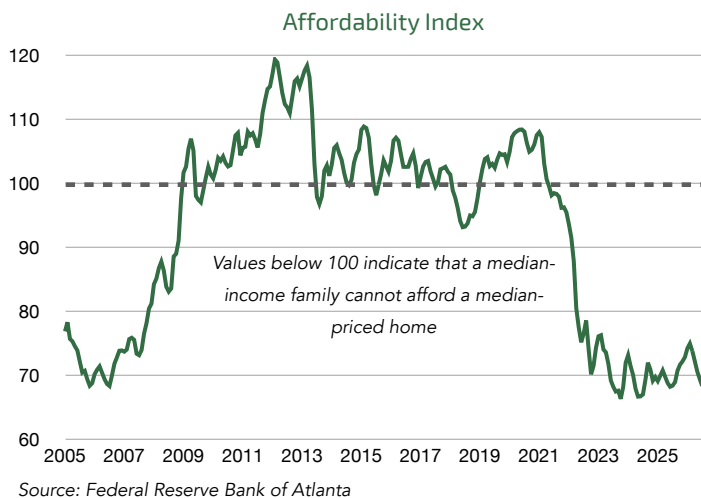
30-Year Mortgage Rates



One thing you might notice from the chart above, though, is that mortgage rates aren't actually that high. They are just above their 40-year average. This is normal, and the market needs to get used to it because I don't think meaningfully lower rates are on their way. Higher mortgage rates, of course, mean higher cost of ownership. The monthly principal & interest payment on the median priced US home has gone from \$1,043 in 2020 to \$2,337 as of July, according to the Federal Reserve—a 124% increase since 2020. Add mortgage insurance, property insurance and property taxes in—all of which have also become more expensive—and the cost is \$3,162/mo.

Median Home Price to Median Household Income





According to Zillow, the median rent for a single-family home is \$2,289. That isn't a straight apples-to-apples comparison, but it is worth noting as the monthly costs of renting vs. buying were essentially the same just six years ago.

More interestingly, people wishing to sell their old homes have to compete with new homes. This is nothing new, but what is unusual is the median price of a new home is \$393,700—8.25% *cheaper* than the median price for existing homes. Builders are cutting prices and buying down rates. Rate buydowns often do not show up in the recorded median at all, so the true concession is actually larger.

There are some additional nuances. New homes are larger than existing homes, but the lots are smaller. New homes also tend to spring up more where there is room to build and the commutes are longer. Most of this is concentrated in the South, which currently makes up about 60% of new home sales. In other regions it is less of a concern.

Prices on existing homes need to come down to \$361,000 to get back around the average multiple for an estimated 2026 median household income of \$91,000. That's a 15.9% drop from where we're at. And we know it can happen, lest we need to be reminded of the 2008 housing crisis. Until then, I think the overall real estate market will stay in the doldrums. An impasse of sorts between buyers who want and need concessions that most sellers are not yet keen on making.

Binge Box

Twisted Metal (Peacock)

I'm not a regular subscriber to Peacock. It's a pretty dumb name for a streaming service, but I wanted Sunday Night Football, so here we are. Turns out, though, I found a hidden gem in *Twisted Metal*. For those who had access to a PlayStation back in the 90s, this was a popular demolition-derby style game series back then. There is only a small amount of storyline to the games, but enough to give the show characters and cars and creative license to make something that is outlandish and funny and—fair warning—a little gory. It's got a great cast including Anthony Mackie, Stephanie Beatriz, Will Arnett, and Thomas Haden Church, and easily one of the best soundtracks ever. There are two seasons to stream and a third on the way.

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Duration		●			
Inflation			●		
Credit	●				
Foreign	●				
Equities					
Large Cap		●			
Mid Cap			●		
Small Cap				●	
Developed Intl.			●		
Emerging				●	
Alternatives					
Commodities				●	
Merger Arbitrage					●

Altruist News & Updates

The big news is that Altruist has agreed to be acquired by Vanguard. I'm not sure yet what this will mean for our clients, but Vanguard has long been a champion of investors. Vanguard is owned by its funds, which in turn are owned by those funds' shareholders. I will keep you updated on any meaningful changes that result from this.

Altruist continues to roll out new account types and features. Donor-advised fund (DAF) accounts are now live. These can be a great option for charitable giving and tax planning. Alternative asset funds and pre-IPO funds are now available for accredited investors (common qualifying criteria include net worth exceeding \$1 million, excluding the primary residence, or annual income exceeding \$200,000 individually—or \$300,000 jointly with a spouse or spousal equivalent—in each of the previous two years, with a reasonable expectation of reaching the same income level this year). Margin loans and options trading are on the way, and they expect to roll them out shortly. Please let me know if you would like to discuss any of these new features.

Portfolio Positioning

I'll leave you with an optimistic outlook for the market. We are entering what has historically been a great time for stocks. "The fourth quarter of a midterm election year has been among the best times to own the S&P 500. The index's average return for those quarters since 1950 has been 6.6%," according to the Wall Street Journal. Gridlock in Washington is generally viewed positively by the markets, but regardless of the election outcome, getting past a moment of uncertainty is what the market really likes.

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About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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