

Smithfield Trust Company

20 Stanwix Street, Sixth Floor
Pittsburgh, PA 15222

Phone: (412) 261-0779

Fax: (412) 261-3482

www.smithfieldtrustco.com

A MESSAGE FROM OUR PRESIDENT & CEO

It is with great pleasure that I share with you news of recent additions to Smithfield Trust Company.

In September, Isaiah Davis joined our investment team as an Investment Analyst. We are excited that Isaiah returned to Pittsburgh after obtaining his MBA at Bryant University in Rhode Island. Isaiah was a wonderful intern at Smithfield, so we are thrilled with his return. He has already proven to be a great asset to the Company.

In October, Kimberly Jackson joined as Chief Fiduciary Officer. Kim comes to Smithfield with over 30 years of experience in fiduciary and risk management. Kim will lead Smithfield's Trust & Estate group while also spearheading the organization's risk and compliance committees. Kim's extensive knowledge in fiduciary matters, passion for customer service, and enthusiasm for mentorship make her an excellent addition to Smithfield.

I hope that you have an opportunity to connect with Isaiah and Kim soon. Additionally, I want to thank those who have written book reviews. I think Bob would be very pleased to see his tradition continue, especially with contributions from his grandson, Silas. Enjoy!

– Betsy Poggi

SMITHFIELD FOURTH QUARTER 2024

Chairman Powell has flipped the script on 2025 by starting the long-expected next round of easing with a powerful 50 basis point cut in September. Powell used his speech at the Jackson Hole Symposium to announce the shift in the Federal Reserve's focus from taming inflation to preserving job growth and stopping any further rise in the unemployment rate. It is widely believed that he reinforced that view by prompting a Wall Street Journal article during the blackout period ahead of the September meeting to confirm that a fifty-basis point cut was coming. Market expectations had retreated briefly on a higher-than-expected CPI report – but quickly priced more aggressive easing back in after the article.

Bottom line, every economic forecast must now reduce the chances of a recession in 2025 (not that we had one) given that the new Summary of Economic Projections (SEP) and dot plot imply 150 basis points more ease is coming by the end of 2025 – and another fifty in 2026. A total of 250 basis points in ease is the kind of monetary stimulus one expects to pull the US out of a recession – and this has started before we have posted even a single quarter of growth below potential. Chair Powell warned that the SEP is not a roadmap for future policy and that the Federal Open Market Committee (FOMC) would take it one meeting at a time – but the Street is convinced they will ease and has already priced it into rates.

The caveat is that while a less restrictive Fed may lower short term interest rates – the implications for less resolute inflation fighting may lead longer term rates to move higher. The average consumer invests at short term rates through bank deposits, and borrows at longer term rates via the mortgage market. Mortgage rates had come down nicely with both falling ten-year notes and narrowing spreads, but further progress may be more difficult. A shift to adjustable-rate mortgages may be more advantageous for those contemplating refinancing, or moving and sacrificing low locked in mortgage rates.

Powell justified the Fed's pivot to limiting unemployment as a logical balancing of their two mandates – stable prices and maximum sustainable growth. Inflation has come down significantly over the past year, and by the Fed's preferred PCE deflator measure is approaching 2%. Meanwhile, the unemployment rate has climbed from 3.4% a year ago to 4.3% for July 2024, before retreating fractionally to 4.2% for August. The widely touted Sahm Rule (coined by Claudia Sahm while at the Fed) notes that a half point rise in unemployment from its previous three-month low has always led to recession. This is true because the loss of income normally associated with that rise in the unemployment rate cuts into spending power.

However, in this cycle, even Claudia Sahm notes that the driver behind the rising rate may be greater supply of workers due to immigration. Undocumented workers are unlikely to respond to the household survey, thus forming a hidden labor supply that would lower reported unemployment if counted. While increased immigration may increase labor supply, those who lose jobs are immediately squeezed. Unemployment is rising fastest among low skilled workers, typically with less than a high school education, and often in itinerant jobs – with limited access to benefits when unemployed. More skilled workers at firms paying into the unemployment insurance fund have

seen very little increase in unemployment – still a very low 1.2%. Low-income workers are doubly hurt as they compete with new immigrants for rental units, and rent remains the stickiest part of the inflation spectrum.

That some households are suffering from recession-like conditions is clear from the many reports of consumers trading down, or doing without, or skipping payments. Yet, strong retail sales are the driver behind the Atlanta Fed's 2.9% forecast for GDP in the third quarter – as better-off households continue to benefit from rising equity prices and home appreciation. Asset values should be the earliest beneficiary of the new rate cuts, with the impact on the real economy coming only after the traditional long and variable lag – typically two years. Bottom line, spending by the top end of the economy has been more than an offset to the stagnation at the bottom, and should continue to be in 2025.

The biggest wild card for consumer income is whether employers feel the need to cut back on hiring. In our view, profits are still strong – and the new Fed stance will only enhance margins and sustain hiring, as it promises better economic growth and less pressure to reduce prices. While consumers hate inflation, it is a boon to profits, as the revenue from price increases enhances the bottom line. While Powell and others worry about rising unemployment rates, we note that hiring is still sufficient to absorb normal labor force growth, and wages have shown no sign of cooling from a 3.8% annual rate. Anecdotal evidence suggest that firms may have limited new hires or are letting attrition reduce headcount -- but after the great difficulty acquiring workers during Covid, there is little appetite for layoffs. We, like all economists, will now be watching the weekly unemployment claims data far more closely.

While lower US short term rates may imply more growth at the cost of more inflation, for the rest of the world they mean both higher growth and lower inflation due to a

weaker dollar. Though the Fed's mandates do not include the dollar (that is the purview of the Treasury) it is nonetheless a fact that they are the central bank for the world as the dollar is the global reserve currency. Lower US rates let other nations lower their rates, while a weaker dollar reduces the cost of imported goods, especially energy. A weaker dollar does hurt big exporters, but that burden falls mostly on China and energy exporters – with the biggest impact likely to be slower growth in their sovereign wealth funds.

Indeed, China, already trapped in a debt deflation due to the implosion of its real estate markets, will likely benefit least from the Federal Reserve's cuts. Interest rates are already quite low in China, and the Party is resisting any further decline in bond rates via market intervention. Moreover, they are in deflation on the industrial side of their economy, and consumer prices are up a scant 0.4% in the past year. True, their key customers should benefit from lower energy prices, but as yuan labor costs are now higher in dollar terms, their may not be much more buying power for Chinese exports. China will have to rely on a long grinding reduction in debt by paydowns and write offs, as their own low inflation rate is not reducing the burden on consumers

or business quickly. A New Deal type program of Keynesian pump priming might help, but Chairman Xi shows little interest and has adopted a more Bundesbank-like approach of caution regarding increased stimulus and debt.

The outlook for 2025 has always been problematic due to the uncertainty caused by upcoming elections – not only for the President, but for the balance of Congress as well. The first order of business regardless of who is in power is dealing with the many tax and subsidy programs that sunset as the result of earlier budget shenanigans. To pay for those extensions, Trump has advocated high tariffs and Harris wants tax hikes on the wealthy. Either way, reduced fiscal stimulus was going to be a drag on growth. By front loading the offset from easier monetary policy, the Federal Reserve has reduced the risk of recession. Meanwhile, a weaker dollar and less vigilance on inflation may slow the pace at which inflation cools. In our view, success for the US economy these days is more about asset appreciation than output growth – and lower rates should sustain the asset appreciation and the buying power of US consumers. We look forward to a solid holiday season, and growth in the low 2% range for 2025, with inflation just above 2%.

– Michael Drury



We recognize that every person, family, institution,
trust or estate is not the same.

Therefore, we customize every account at Smithfield, regardless of type,
to achieve the goals at hand from a fiduciary, investment, and tax perspective.

BOOK REVIEWS

THE ONE AND ONLY BOB

By: Katherine Applegate

This children's book is not about my Granddad even though he was a "one and only Bob" too. This is a great story about a stray dog (Bob) who must learn how to trust humans again after being abused. Bob makes friends with a gorilla named Ivan and an elephant named Ruby, and both of those animals have "one and only" books about them written by the same author. A nice girl named Julia adopts Bob and does her best to teach him that he can trust people and be happy. I am starting 3rd grade and highly recommend this fun book!

– Silas O. Kopf

COLLECTIVE ILLUSIONS

By: Todd Rose

Have you ever wondered how it is possible for so many young people to support the terrorist group Hamas in the ongoing war in Gaza? A recent poll reported in the New York Post showed that 65% of college students supported the campus protests that occurred last spring, and almost 20% showed some sympathy for Hamas. This could be due to a "collective illusion," as defined by Todd Rose in this book. This comes about when someone believes that most of their friends and neighbors share a particular position, and then feels compelled to voice support for that position as well. The classic case of a collective illusion is told in the children's story of the king with no clothes. The king had been deluded into thinking that a clever tailor had created a marvelous suit for him even though he could not see it. Since he was the king, no one dared to point out that he was naked until a young child, too naïve to buy into the illusion, pointed it out, shattering the illusion.

Many illusions start out as the normal behaviors expected of citizens in a society. In our society we obey all sorts of "norms," most of which are harmless or even helpful to promote order in our interactions with others. For example, we drive on the right side of the road, when we meet someone we shake hands, at a wedding the bride wears white. However, occasionally a norm will arise that is completely wrong. For example, for a time Europeans all believed that tomatoes were toxic. This would fall into the category of a collective illusion. This illusion was only broken with the invention of pizza, with tomato sauce. This book is full of interesting tidbits of knowledge like that, which makes it an easy read.

In the final section of the book, Rose discusses ways to get out of our collective illusions. First and foremost it is important to live our life in a manner consistent with what we truly believe. We must acknowledge reality and not get caught up in a fantasy world based on false conceptions. Although Rose seems to imply that this can make for a better world, the problem I see is that while you and I can escape our collective illusions, the world will only change if a significant majority of people do the same. Nonetheless, for anyone interested in psychology, this book will be worth the read.

– Henry Haller, III

BABY NINTH AMENDMENTS

By: Anthony B. Sanders

The little known Ninth Amendment in the Bill of Rights states “The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people.” It turns out that 35 states have now or once had in their constitutions similar statements of rights, which are dubbed “baby ninths.” Sadly, Pennsylvania is not one of them.

Mr. Sanders is an attorney with the Institute for Justice (IJ.org), a public service law firm that assists people who have been denied their rights. As such, he has a particular interest in just what unenumerated rights might be covered in this manner. Judges have often upheld rights not enumerated in the Bill of Rights (privacy, interracial marriage, gay rights, etc.), but they seem to go to great lengths to avoid basing their decisions on any version of the Ninth Amendment.

In this book he relates the history of how many of these “baby ninths” came to be incorporated into state constitutions, and speculates as to just what kinds of rights can be covered. As a firm believer in individual rights, I believe that this is an important topic that deserves to be more widely known.

– Henry Haller, III

THE NEW DEAL’S WAR ON THE BILL OF RIGHTS

By: David T Beito

The administration of Franklin Roosevelt is widely regarded as guided by the philosophy of liberalism. In economic policy, this is certainly true. However, when it comes to civil rights this administration’s record is surprisingly poor.

Most people are aware of how citizens of Japanese descent were locked up in concentration camps for the duration of World War 2. This is perhaps the most egregious of FDR’s violation of our civil liberties. Mr. Beito documents this episode in some detail, including how FDR went through with it in spite of opposition from high ranking members of his administration, including his attorney general, Francis Biddle.

The attacks on the Bill of Rights started much earlier though. Frustrated by the Supreme Court’s overturning of New Deal programs, in 1935 Roosevelt initiated the creation of a special Senate Committee led by Senator Hugo Black to investigate lobbyists. Without bothering with a warrant, this committee surveilled many telegrams of people believed to be enemies of the administration. This is reminiscent of how the NSA spied on Americans’ emails, as revealed by Edward Snowden.

The Roosevelt administration was also not very tolerant of opposition radio stations and newspapers. In a similar manner to how the Biden administration used threats against social media to compel them to remove “misinformation,” the Roosevelt administration used the threat of loss of their broadcasting license to bring radio stations into line, and loss of their postal permit to coerce newspapers.

I would recommend this book to anyone who wants to learn more about the New Deal and the era of the Great Depression. It certainly casts a new light on someone considered to be a staunch liberal.

– Henry Haller, III

WHY WE LOVE BASEBALL

By: Joe Posnanski

This book is comprised of 50 short chapters, each of which describes a memorable moment in a baseball game. Veteran sportswriter Joe Posnanski covers the moments of high drama (Mazeroski's home run to win the 1960 World Series, etc.) and also lesser known events that are unique in some sense. This would include spectacular catches, amazing throws, and other great fielding plays. His chosen moments range beyond Major League Baseball to cover plays that occurred in the minors or even in Japanese baseball. Fictional events count, too; there is one chapter based on a play in the 1992 movie "A League of Their Own."

This book is a lot of fun to read, and can also be educational, even to a fan who has extensively studied baseball history. How many people know that there was once a pitcher who struck out 27 batters in a nine inning game? When you look beyond the big leagues, there is a wealth of material to choose from, and Posnanski has found some of the best. I would recommend this book to any true baseball fan.

– Henry Haller, III

THE BYZANTINE WORLD WAR

By: Nick Holmes

This book details the struggles of the Byzantine Empire in the eleventh century and explains how the First Crusade was an attempt by the West to rescue Byzantium from the Seljuk Turks. More accurately described as the Eastern Roman Empire, the Byzantines spoke Greek instead of Latin and inherited and maintained Roman culture and institutions during the Dark Ages. The book begins with Romanus Diogenes' coronation as Emperor and relates his struggles to stop the inexorable advance of the Turks into the eastern provinces of Anatolia. This struggle culminates in the Battle of Manzikert in 1071, where Romanus' forces were routed by the Turks under Alp Arslan. Notably, Romanus entrusted a large contingent of the Byzantine forces to a political rival, who in turn deserted the battle at a critical moment. Romanus, who ignored a peace offering from Alp Arslan on the eve of the battle, was captured and upon his release was deposed and blinded by his political opponents. The book then details the rapid decline of Byzantium and the crowning of Alexius Comnenus as Emperor in 1081. Alexius skillfully began requesting assistance from the West and his requests found a receptive set of ears in Pope Urban II, who called for the First Crusade in 1095. Next discussed are the First Crusade and its successes against the Turks, due in large part to the inclusion of a contingent of Norman adventurers led by Bohemond. Against all odds, the First Crusade succeeded in capturing Jerusalem in 1099. Byzantium was saved, not restored, and its front line with the Turks remained 500 miles west of Manzikert.

The book is a quick and easy read and does an excellent job of explaining the political motivations, whether Byzantine, Turkish or among the papacy and Western Christendom, lurking beneath the events described above. While the premise of a world war could have been further developed, I think that in the context of the eleventh century, the mobilization and movement of armies and peoples over such a large area may qualify the struggle as one. For those interested in a compact study of the Islamization of one of Christianity's original core geographies, e.g., St. Paul's birthplace in Tarsus and his letters to the Galatians, Colossians and Ephesians, I think you will find the book enjoyable and informative.

– Sam Adams

THE MASTER

By: Christopher Clarey

For a tennis-crazed lunatic like me, there were concerns that this biography about Roger Federer would simply rehash everything I had read and watched over the past 25 years. Instead of retelling what most tennis fans already know, the author does a very skillful job of telling a fresh story, educating and entertaining the reader. The theme of the book is how Federer transformed himself mentally and emotionally. He was obviously blessed with incredible physical talent, but his mind was unstable on and off the court. It is odd to think of Roger Federer throwing racquets and melting down, but he did. Amazingly, he just decided one day to change. He had fantastic people around him, but it really came down to making a personal decision to change. Doing so at a very young age is impressive.

My favorite part of the book is how the author weaves other personalities into the storyline. The other players, coaches, parents and trainers were so important to Federer's success, and the author drills down into their stories as well. Mr. Clarey is remarkable at tying it all together.

I could not put this book down and highly recommend it to tennis fans, sports fans and anyone who wants to be inspired. My wife, Celeste, will be reading it next. For Nadal fans like my son, Silas, rumor has it that the same author is working on a Rafa biography.

– Thomas R. Kopf

WHAT THIS COMEDIAN SAID WILL SHOW YOU

By: Bill Maher

Bill Maher is the host of the long running television show "Real Time with Bill Maher." He has written a book of political commentary that follows closely his views expressed on his show. While he has a reputation as a staunch liberal, what shocked me about this book is how conservative he is on a number of topics.

The book consists of 24 chapters, each of which deals with an important issue of today – everything from immigration, drugs, guns, police, and (of course) Donald Trump. There is a chapter on "Republicans," in which he gives graphic details on how stupid Republicans can be. If you are a Republican, be prepared to be offended by this chapter. However, he follows it with a chapter on "Democrats," in which he berates Democrats for their stupidity. For example, he identifies some of the ways Democrats would like to micromanage our lives, and concludes that "Democrats no longer possess the common sense to understand that not every problem in the world can be fixed with a regulation."

"Common sense" seems to me to be an apt description of Mr. Maher's philosophy. He points out the absurdity of the extremes of both left and right. For example, he is opposed to allowing biological males to compete in women's sports events. It is on issues like this when he is discussing the progressive left that he seems most conservative.

This is certainly a controversial book. If you are easily offended, I would advise you to avoid this book. Maher has strong opinions and he expresses them with strong language. He makes liberal use of the "F-word." There are some things he presents as facts that I think are not true. However, he is a comedian, and much of his humor is also included in the book. That is what made it an enjoyable read for me. I would recommend it to anyone who can overlook the language and remain open minded about the political issues of today.

– Henry Haller, III

MY BIG HOT READING SUMMER 2024

Betsy asked if I might share some of my recent reads and as I look at my shelf (virtual and real). I am delighted by how many books I have enjoyed, so far, this summer. Following are the top notes.

If you have not downloaded the Libby App, I highly recommend that you do. It is a great way to get e-books for free, create a virtual night table of books you might like to read in the future and especially great for audio books. I have Libby access at my home library in Los Angeles and my old library in NYC. Go to www.Libbyapp.com for more details. And don't feel badly about not paying for books as Librarians love Libby as interaction helps them secure more funding.

I kicked off my summer reading with **Long Island** by Colm Toibin. I'm a dedicated Toibin fan and this follow-up to the novel **Brooklyn**, continues the story of Eilis Lacey, an Irish immigrant and young mother who has married into a tight knit Italian family in the suburbs of Long Island. When Eilis is betrayed by her seemingly adoring husband, and his family, she begins to question the wisdom of her usual acquiescence. In an unusual act of independence, she takes the children home to her small village in Ireland.

This is a wonderful, compact story. No terrible fireworks --more a discovery of true feelings and inner longings. I am a committed Hibernophile (even better than an Anglophile) and this book just added to the canon of "Irish books that I have loved."

James by Percival Everett introduced me to a Los Angeles author and Professor at USC that has prompted me to do some more discovery, so stay tuned. **James** is a re-telling of Huckleberry Finn from Big Jim's POV. I'm not certain that I ever read **Huck Finn**, though I think I must have as it was certainly on my Winchester-Thurston reading list and all the characters felt quite familiar. If you haven't already read, a few critics have suggested you **not** read **Huck Finn**, before reading **James**, as you'll gain a good bit more insight into his character from this story.

This novel made me smile --there is lots of fishing, bad weather and especially in these awfully dark and scary political times, a great deal of uplifting understanding between Huck and Jim.

You Are Here by novelist of **One Day** and more David Nicholls. My writerly daughter is a Nicholls fan and although I found the romantic part of this story fairly predictable, I was delighted to share this reading experience with her. The novel is the story of two unlikely lonely hearted misfits who are brought together by a mutual friend to trek across the Northern English Coast. In a word, it is **charming** as they are both witty and unwitting and I've never trekked anywhere, so I learned a bit about long walks on rocky paths in wet boots. It's nice when love wins, isn't it?

I'll end with one more, but feel free to reach out for recommendations as I'm happy to share.

Long Island Compromise by Taffy Brodhessser-Akner, is a wow of a summer read. I'll describe it as **The Corrections** meets **Portnoy's Complaint**, so if these kinds of books aren't your jam, just ignore my rant. I barreled through this family saga of craziness. I laughed out loud and my jaw dropped more than a few times. If the grief of the past is inherited, perhaps even in utero, this novel makes a great case for why. Generational Inherited Trauma (it's a thing, folks) is what drives this story and I was driven to discover how this family, in the most upmarket part of Long Island, would act it out. Buyer beware-- there are no heroes here, hardly anyone is likeable. I recall those first lines in Anna Karenina, "Happy families are all alike: every unhappy family is unhappy in its own way." Well, this family is a doozy of misery.

– Susan Finesman