

2nd Quarter 2018

A year of Headwinds.....

As of the end of the second quarter, all model portfolios are operating at the same slightly reduced risk level we established at the end of January during our annual rebalance. In short, we do not feel there is enough evidence (yet) to further reduce risk and there is certainly not enough evidence to place the risk back on that we had removed. This has been a back and forth year with two significant headwinds which we will address shortly. The S and P 500 was up 1.7% through the second quarter, Dow Jones Industrial Average was down 1.8% and Barclays aggregate bond index was down just over 2.5%.

The important thing from an investment stand point is to stay diversified and have a plan in place to move risk off the table if conditions warrant. We have these here at Rockport. If you need to revisit them please let us know.

Now for the headwinds. The markets have clearly been held back this year by two events, rising interest rates and trade war concerns. The easier of these two to quantify is interest rates. The Federal Reserve has raised interest rates two times this year so far and is forecasting possibly two more increases during 2018. These interest rate increase are designed to slow things down and keep inflation in a manageable range.

In our opinion Trade Wars are not good for economies, hence the negative reactions. Suffice to say we need both issues to likely lighten up before the markets might make some headway. We remain diligent in terms of watching our indicators and as stated we simply don't have enough evidence to reallocate the models at this time (Good or bad!). Once we see some evidence, we will act accordingly. In the meantime have a great remainder of summer! Be safe.

Joe, Adam and Ted

"Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria."

-John Templeton

As you can see for the first time in a few years we have negative returns to deal with. While not catastrophic by any means this is a change from what we have experienced since 2015 when the S and P 500 was barely positive for the year (call it flat) This is a good reminder to all that markets do not go up continuously, often have times of side ways movement and unfortunately do put up negative numbers from time to time. This is not as uncommon as the talking heads media leads you to believe. So, as we have stated in the past keep exposure to financial news programs minimal or non-existent they can only influence you in the wrong way.

So, it makes sense bond investments and dividend paying stocks have lagged this year. We will just have to see how many more times the Fed will act.

As for the trade war concerns, we think you can make the argument we are already having a trade war. At the very least trade has been a very open and public topic of discussion which is a change to how past administrations have gone about this type business. Regardless if we are or are not in a trade war, the market reacts negatively to mere mention of one. The day to day fluctuations have been noticeable simply based on the headlines.

***The Standard & Poor's 500 (S & P 500) is an unmanaged group of securities considered to be representative of the stock in general.**

***The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.**

Investments in securities do not offer a fix rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system of financial planning strategy can guarantee future results. Investors cannot directly invest in indices. Past performance does not guarantee future results.

Rockport Wealth Advisors
Joe Kovach, CFP®, AIF®
Ted Calabrese CLU®, AIF®
Adam Stalnaker, AIF®
Investment Advisor Representative *
Registered Representative *

ROCKPORT
WEALTH ADVISORS

14650 Detroit Ave Suite 430
Lakewood, OH 44107
www.rockportwealth.com
Phone 216-226-4560

*Securities and advisory services offered through Cetera Advisors LLC, member FINRA/SIPC. Cetera is under separate ownership from any other entity."