

3rd QUARTER 2019



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We are still operating all models at the moderately reduced risk levels we had established at the end of January this year. For the 3rd quarter the S & P 500 index was up 1.2% and is up 19% for the year! Overall the stock market has not really gained much ground since January of 2018. Since that time, we have had a very noticeable dip (4th Quarter 2018) and a substantial up mainly in the first half of this year.

In the last newsletter we mentioned the growing possibility of interest rates cuts by the Federal Reserve. As it turns out, they did in fact end up making 2, ¼ point cuts in the quarter and evidence is mounting that additional rate cuts are becoming increasing likely. As we also stated, the Fed does not cut rates when things are “good” and the economy is firing on all cylinders. At present time there is plenty of evidence of a slowing economy. However, there are still several key parts of the economy that are not deteriorating such as employment. After over 10 years of economic expansion, some slowing is bound to occur.

In addition to the slowing economy, there is no shortage of other things to be concerned about, the never ending Trade war with China, Hong Kong protests, and Brexit uncertainty to name a few. All of these combined have seemingly put a cap on the stock market making new highs for now but interestingly have not caused any major market declines as well.

We are particularly concerned with the slowing economic data. As we had stated previously recessions are incredibly difficult to predict. Weakening economic data may just mean that we are having what is called a mid-cycle slow down or it may continue to weaken and turn into an actual recession. We will keep watching to see how this plays out in the coming months. Recessions are a natural part of economic cycles and if anything, we are long overdue for one since this cycle is in its 11th year of expansion.

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balances daily and your
blood pressure once per year!
Constant updates make
investing more emotional
than it needs to be.**

As for the Trade War with China, we wonder how long the markets will continue to act positively in light of favorable commentary by the current administration. Commentary that does not appear to be backed up by any real facts or progress. Eventually the markets may start to not believe the commentary and react negatively time will tell. In addition, one wonders if the Chinese have any reason to work with the current president knowing that there is an election next year and they may want to see the outcome from that before committing to any trade deals.

We are fully aware that this party won't last forever and are ready to react accordingly. We would love to see the business (economic) cycle run its natural course, reset and set us up for a new growth cycle so that we could begin to position portfolios in more of a growth fashion, but this appears to be a ways off. Stay tuned...

Lastly, while we had no changes to the model portfolios in the quarter, we are certain of a couple fund changes to come in quarter 4 largely due to performance. We will bring you up to speed as those changes occur. As always, if you have any questions or comments or are just feeling a little unsettled, please feel free to contact us.

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

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