

## Q3 2018 Insights

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# Q3 2018 Insights

- Domestic Earnings Outlook
- The Fed, Inflation & Employment
- Yield Curve and Signaling of Recession
- Portfolio Positioning for 2019
- *invest right, live right™*

# Domestic Earnings Outlook

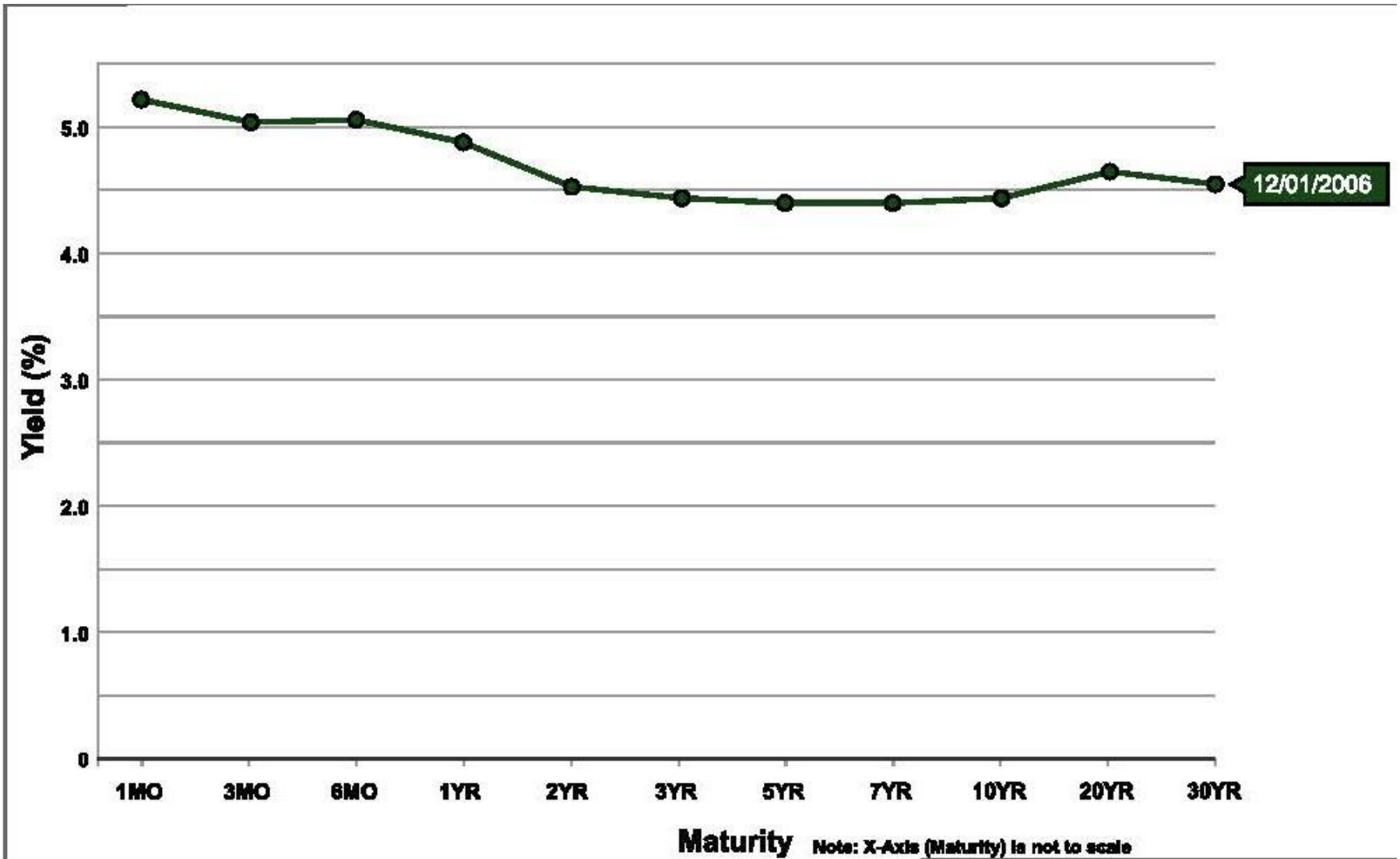
- Q3 S&P 500 Earnings growth = ~20%
- Sustainability in question
- Results will still be good, but greedy investors will be disappointed, resulting in volatility (we had already seen this during Q2, as many companies reported good results and the stock sold off)
- Shiny Object Syndrome - The sexy growth stocks have continued to hold up, even after weak earnings reports – this is typical of frothy late-cycle behavior (keep your portfolio modern, but stick to quality!!!)

# The Fed, Inflation & Employment

Some report that the Fed may inadvertently invert the yield curve (which is predictive of recession) by raising the Fed Funds rate.

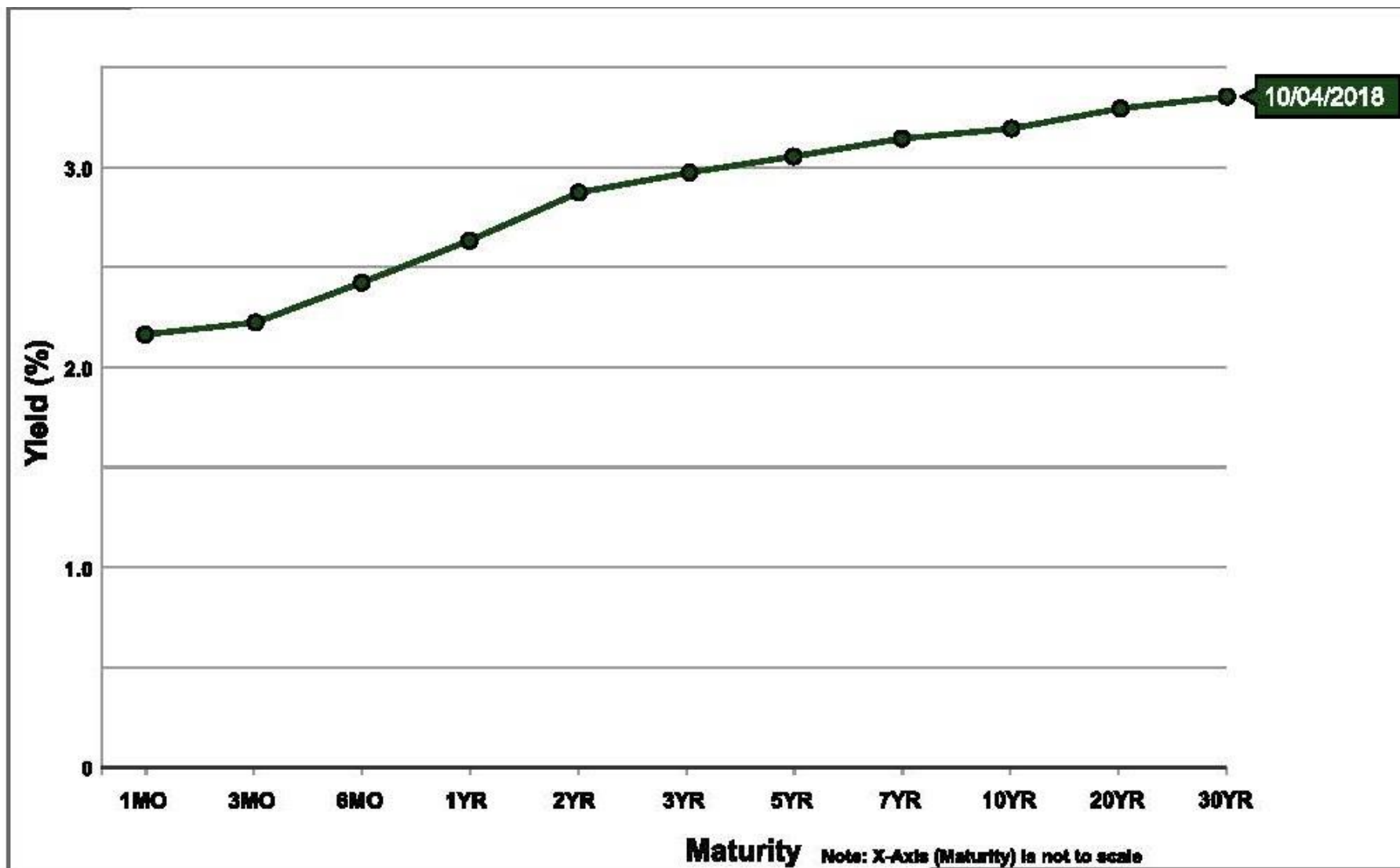
But longer-terms rates will concurrently rise if investors start to sell U.S. Treasuries, keeping the curve upward sloping or flat, which is a sign of a growing economy.

# Yield Curve and Signaling of Recession



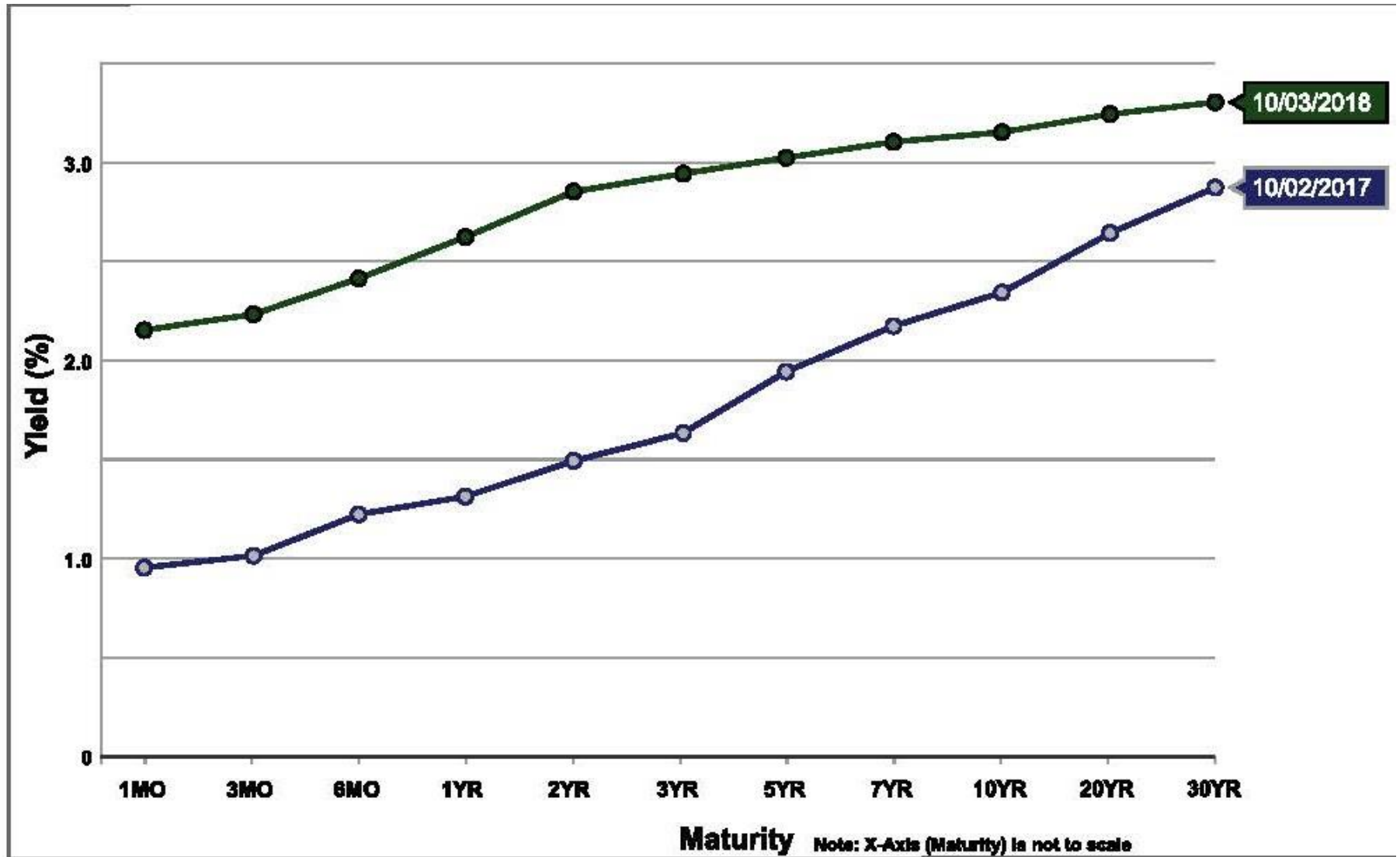
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# Portfolio Positioning for 2019

- If you are still accumulating, ramp up savings as much as possible (the window of opportunity is closing)
- If you are distributing income from your portfolio, we will start to increase your cash allocation to make sure we can meet your needs through the next recession without having to make portfolio adjustments at inopportune times
- If you are risk-averse, consider shifting to a more conservative allocation, with the understanding that you will likely miss out on gains



*“Be not afraid.”*

*- The most frequently occurring phrase in The Bible*

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