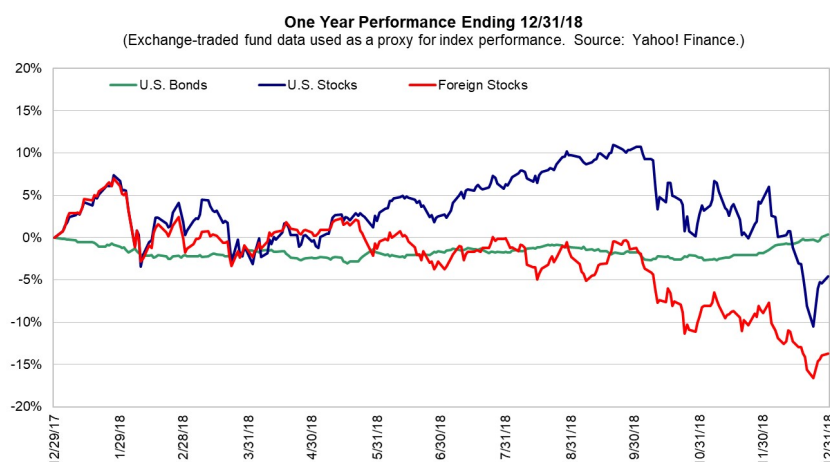




A NOTE FROM YOUR ADVISOR...

Now, that was a better quarter, wasn't it? The fourth quarter of last year was sure a tough one with lots of uncertainty and general angst pushing prices down significantly. What a difference a few months can bring; folks seem happy about most everything; why, they are even happy about being unhappy! Such is the topsy-turvy world of the capital markets and the sort of activity we talked about way back in the first quarter of 2018!



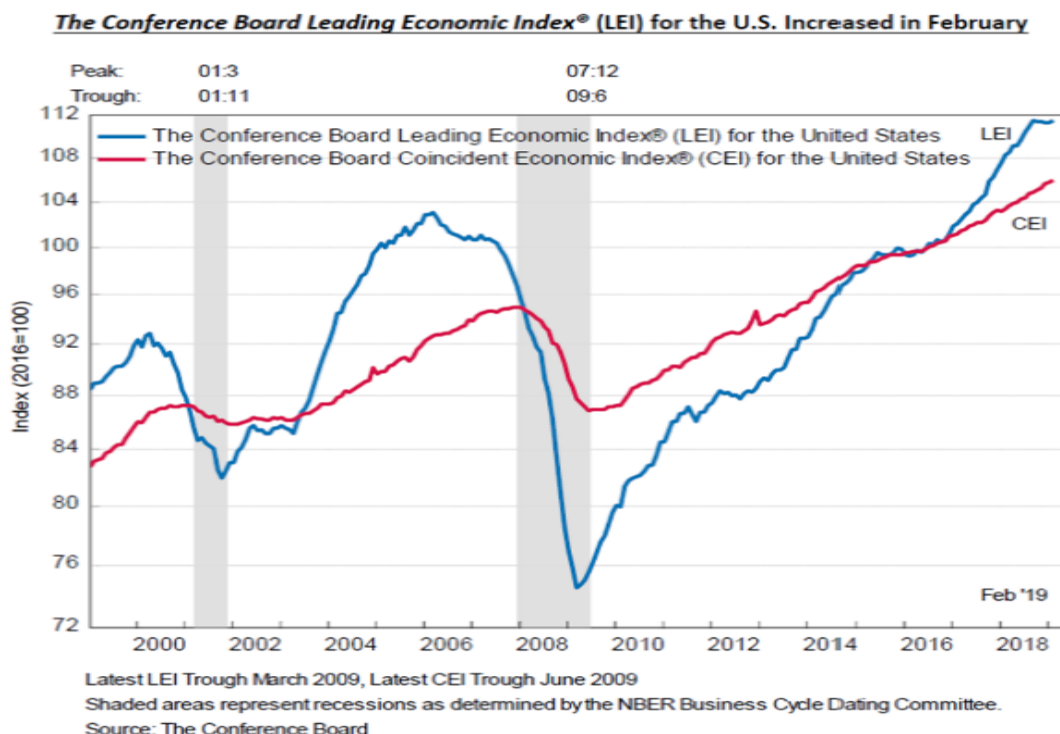
Why so cheerful all of a sudden? Progress on international trade talks has helped as investors have more reason to look for a normalizing of policy after a period when the threat of tariffs made people feel pessimistic about the direction of the global economy. Powerful too has been the action of the Fed in regards to interest rates as they switched gears and held off on further rate increases due to concerns about slowing growth in the domestic economy. Slower growth ought to be a negative, but this slowing has been forecast for some time as the bump from the tax act receded into the distance. What wasn't as predictable were the Fed's actions and this seeming switch from rising interest rates to a stable rate environment has given investors cause to be cheerful.

Even as the Fed pauses in the process of moving rates upward and with the slimming down of its balance sheet the economy keeps on (slowly) chugging along. Last month the "leading economic indicators" resumed their march upward after a fairly flat prior five months. That index of economic measures helps us understand just how the economy is doing and provides some predictive activity for the future. Composed of 10 different parts, including retail sales, building permits, manufacturing activity, inventory levels and (oddly enough) the stock market, this index gives us a sense of where we are headed.

There are also a set of "coincident" indicators that sort of tell us where we are and a set of "lagging" indicators that tell us where we have been.



THE RETIREMENT PLANNERS



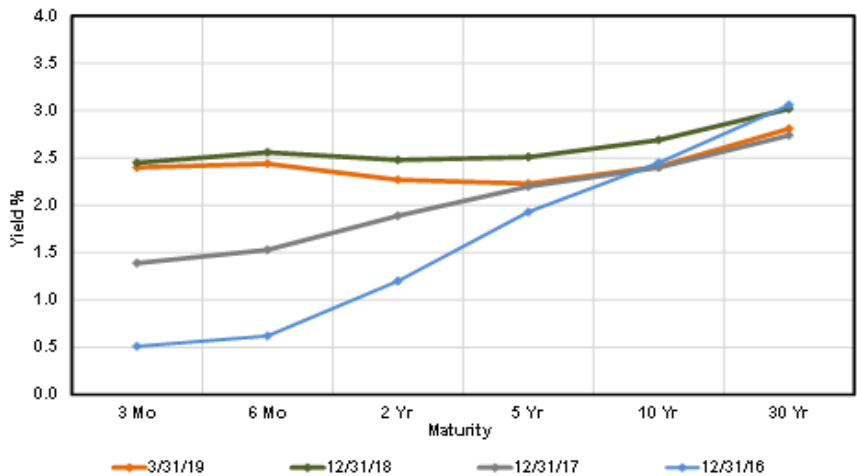
Just like other economic measures the pace of growth in the leading and coincident indicators has slowed versus the prior period, another reminder that while growth is positive we are still in the slow growth mode that has characterized this economic expansion (excepting a couple of shorter periods) since the end of the last recession.

Last month marked the 10th year of this particular expansion. It would sure be handy to know just when the next recession will arrive and just what sort of recession is in store. We don't of course know this, no one does. In the meantime we'll keep an eye on the indicators and continue to analyze value in the marketplace to help make good decisions in our overall discipline.

Another measurement that has garnered some attention recently is the yield curve. The "yield curve" is a description of the relationship between longer and shorter term interest rates of government securities. Normally short term rates (T bills and shorter debt obligations) have lower interest rates than longer dated maturities. In other words folks generally earn a higher interest rate for longer dated bonds than for bonds that mature fairly soon.

Every so often though the rate on longer term debt falls or that of shorter term debt rises and that relationship gets knocked out of kilter. Over the last little while we have had both those events occur as the Fed pushed upward on short rates and the market (where longer term rates are set by the buying and selling of bonds) pushed intermediate rates lower. The result was an abnormally shaped yield curve with almost a flat line able to be drawn between shorter term rates and the 10 year rate with both almost the same value.

THE
RETIREMENT
PLANNERS



Source: US Treasury

This sort of flat (long and short rates at essentially the same value) or inverted (longer rates actually lower than short rates) yield curve happens when expectations for growth aren't robust. Growth implies inflation and inflation makes bond holders want higher interest rates to counter that inflation (which makes a pool of money like that invested in a bond worth less). The lack of inflation expectations does just the opposite, reducing the interest rate needed. Concerns about the robustness of economic growth in the future push interest rates down and bond values up (the old bond teeter totter between rates and values).

Given the preceding one can see that flat or inverted yield curves aren't an indicator of strong economic growth ahead. In fact it is just the opposite; those sorts of curves tell us that folks have doubts about the economy's ability to grow.

Generally this tends to be not as concerning over the short term and it is generally a sustained period of inversion (long rates lower than short) that acts as a predictor of a nearing recessionary time.

It's important to remember, amongst all this talk of growth and recessions, that both are part of the normal course of things; not quite as predictable as the seasons but just as certain. In the fall, as winter approaches, the prudent person will get their firewood in, check their storm shutters and make sure they have proper tires and an emergency kit stashed in the trunk. So too the prudent investor will want to make sure they have made the needed preparations in their financial lives by diversifying appropriately and making sure they have enough in bonds or other short term investments to tide them through till spring sends its inevitable shoots through the snow.

For now though the economy is growing and it really is spring, with all the renewal and beauty that this season brings. Long ago we were taught that life is a changing thing and that 'to everything there is a season'. We hope you and your family and friends enjoy this special season.

It's an honor to serve you.

Optimistically yours,

Sincerely,

John Steele CFP, CRC, CRPC

"Of all the passions, fear weakens judgement most."

Cardinal De Retz





May



SUN	MON	TUE	WED	THU	FRI	SAT
			1 John in Dallas for Ed Slott Conference	2 John in Dallas for Ed Slott Conference	3 John in Dallas for Ed Slott Conference	4 9:00am 1330AMWEBY Northwest Florida's Talk Radio
5 	6	7 	8	9	10 	11 9:00am 1330AMWEBY Northwest Florida's Talk Radio
12 	13	14	15	16	17	18 9:00am 1330AMWEBY Northwest Florida's Talk Radio
19	20	21	22	23	24	25 9:00am 1330AMWEBY Northwest Florida's Talk Radio
26	27  CLOSED	28	29	30	31	



SUN	MON	TUE	WED	THU	FRI	SAT
						1 9:00am 1330AMWEBY Northwest Florida's Talk Radio
2	3 John & Esmeralda in Missouri	4 John & Esmeralda in Missouri	5 John & Esmeralda in Missouri	6 John & Esmeralda in Missouri	7 John & Esmeralda in Missouri	8 Missouri Banquet 9:00am 1330AMWEBY Northwest Florida's Talk Radio
9	10	11	12	13	14 	15 9:00am 1330AMWEBY Northwest Florida's Talk Radio
16 	17	18	19	20	21	22 9:00am 1330AMWEBY Northwest Florida's Talk Radio
23 30	24	25	26	27	28	29 9:00am 1330AMWEBY Northwest Florida's Talk Radio