



# THE RETIREMENT PLANNERS



## FOURTH QUARTER NEWS LETTER FINANCIAL TOPICS

### ***ADDRESSING THE NEEDS OF INDIVIDUAL INVESTOR AND PLANTING THE SEEDS FOR A SECURE FUTURE***

## **MARKET WATCH**

Fall is such a wonderful time of year, the shorter days and cooler nights, the glimpses of color in the yards and across the hillsides. Summer is officially over, the squirrels are busy storing away nuts and folks all around town are digging through closets, finding anew their jackets and overcoats.

Fall is also the time when investors find their way back from their summertime pursuits, roll up their sleeves and get back to work.

This fall finds us with lots to digest and more than just a few balls in the air. From impeachment proceedings here in the US to Brexit and slowing economies in Europe, from the still uncertain effects of the tariffs imposed to the slowdown in business investment, there is a lot to think about in the "one-upmanship" world of the stock and bond markets. Are we close to the next recession or is there still reason to be cheerful and optimistic? Let's dig in a bit deeper and see if the tea leaves give us direction or simply remain a brown pile in the bottom of our cup.

The US economy is still growing, albeit slowly. Consumer spending and full employment remain the bright spots, one supporting the other, as you and I and all our friends continue to go about our lives. This area of the economy remains the largest factor in domestic GDP (some two thirds of the total) and, although one could argue this is a sort of lagging or coincident economic indicator, our spending and consumption remains a vital part of the economic pie across the developed world.

Switching from you and I to the business community we get a slightly different picture. Business investment of various sorts, while still positive, isn't as strong as it has been. Businesses are more cautious now, and the business climate continues to contain significant uncertainties.

Chief among the various uncertainties is the continuing drama around trade policy with the US carrying forward its tariff implementation. As you have all heard before, businesses need a measure of certainty to be able to make good decisions about product development and general business plan implementation. Absent a perception of predictability, businesses simply don't know how to execute and so tend to sit on their hands and wait for some conviction. Looking abroad reveals additional uncertainties. Traveling east the shores of the United Kingdom are awash with angst regarding Brexit, with much hand wringing and confusion as the latest deadline, October 31, draws near.

### THE RETIREMENT PLANNERS **Radio**

*Hosted by John and  
Danny Steele  
Every Saturday @9AM*

**Live on**

**NEWS RADIO**  
92.3 | AM 1620

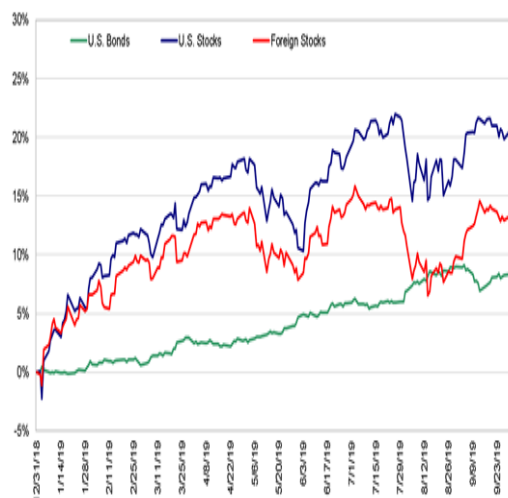
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Year-to-Date Performance Ending 9/30/19  
(Exchange-traded fund data used as a proxy for index performance. Source: Yahoo! Finance.)



Across the Channel Europe in general and Germany in particular, are grappling with their own economic slowdown, again caused at least in part by the uncertainties about tariffs and trade policy. Over in Asia economies are moving forward, but not nearly as fast as the folks there would like, with trade policies providing the near-term cause but China's maturing economy and other factors changing the metric of the region. While the uncertainties around the globe continue to be debated by economists and market pundits, the market has continued to advance through 2019. Part of this significant advance has been a bounce back from the robust decline in the fourth quarter of last year of course but earnings in general have been supportive of higher prices. Absent the abject fear that roiled the markets in late 2018 the economic situation here in the US has remained supportive with companies posting decent growth in earnings across most of the market sectors. Earnings growth has been positive over the last year, but markets are forward looking creatures and there is some uncertainty regarding how well earnings will hold up given the manifold challenges of tariffs, trade policy and slow growth.

Only time will tell of course, and, in the meantime, we can expect more volatility than normal as bulls and bears debate their positions.

Along with expectations of earnings growth valuation plays a key role in determining medium-term stock price appreciation. Valuations are currently darn close to what we might expect given the current level of interest rates (historically low) and reasonable expectations for earnings growth going forward. Those inputs—expected earnings growth and current interest rates—are the key drivers of determining the valuation level of the stock market.

While on the subject of interest rates we would be remiss in not commenting on the rate situation. The low level of medium-term rates, those of the 10-year Treasury for instance, indicates low expectations by bond buyers for future inflation and thus for economic growth. Interest rates and inflation are inextricably linked by investors. Higher rates of inflation mean that interest rates need to move higher to account for the value of money declining (i.e. investors want the same “real” return, their actual return after inflation). In anticipation of lower inflation, bond yields (interest rates) can be allowed to reduce to account for the smaller inflation “haircut” to their overall return. The yield curve inversion we discussed in our last two letters is still with us, but the Fed's action in lowering short term rates is reducing the magnitude of this inversion. That lowering of rates tends to be reassuring on one hand (lower rates are stimulative) and disquieting on the other (the need for stimulus implies current weakness). As you review this mixed bag of economic and market indicators you would be forgiven for having some difficulty in discerning just what these tea leaves are telling us! Nervous uncertainty is prevalent with tariffs, trade uncertainty and slowing growth contrasted with robust consumer spending, a strong service sector and historically low levels of unemployment.

While the near-term probabilities for recession have risen somewhat, recession is by no means a sure thing. A much surer result however is the likelihood of additional market volatility, down on days when recessionary fears are high and up on the days that the news paints a more hopeful future. Indeed, we've seen a fair amount of that this year so far.

These are the times that make us glad to be diversified investors. Since we can't predict the future, we cannot know just which asset class will fare the best going forward. We can, however, hedge risk by holding different sorts of investments, some that do best when skies are cloudy (bonds) and those that do well in fairer weather (stocks) and, within those categories, we can (and do) diversify further in all sorts of ways.

Diversification won't prevent our portfolio from losing value in times of duress, but it can certainly reduce the magnitude of those portfolio drops and help income and growth investors alike. For those taking income from their portfolio, bonds help by paying dividends and by acting as a more secure repository for the cash flows needed to fund expenses. For growth investors, the diversified asset classes can hedge portfolio declines and provide for some ability to “buy low and sell high” as portfolios are rebalanced.




It is important to remember that the last 100 years has been a triumph for the optimists. Longer term, the natural trajectory has been one of growth and evolution, in the sciences, in society, from the standpoint of human well being and yes, even in the economy. Things are better now for humans than they have been in all recorded history. We, being somewhat optimistic folks, think this trend is likely to continue for the next 100.

***“Fear not! Uncertainty is the fertile ground of endless possibilities.”***





***Debasish Mridha***



# OCTOBER

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5 9:00am NEWS RADIO 92.3   AM 1620
6	7	8	9	10	11	12 9:00am NEWS RADIO 92.3   AM 1620
13	14  Columbus Day	15	16	17	18	19 9:00am NEWS RADIO 92.3   AM 1620
20	21 John out of the office	22 John out of the office	23 John out of the office	24 John out of office	25 John out of the office Elk Hunting	26 9:00am NEWS RADIO 92.3   AM 1620
27	28 John out of the office Elk Hunting	29 John out of the office Elk Hunting	30 John out of the office Elk Hunting	31 John out of the office Elk Hunting 		

# NOVEMBER

SUN	MON	TUE	WED	THU	FRI	SAT
					1 John out of the office Elk Hunting	2 John out of the office Elk Hunting
3 	4 John out of the office Elk Hunting	5 John out of the office Elk Hunting	6 John out of the office Elk Hunting	7 John out of the office Elk Hunting	8 John out of the office Elk Hunting	9 9:00am NEWS RADIO 92.3   AM 1620
10 John out of the office Elk Hunting	11  Office closed	12 John out of the office Elk Hunting	13 John out of the office Elk Hunting	14 John out of the office Elk Hunting	15 John out of the office Elk Hunting	16 9:00am NEWS RADIO 92.3   AM 1620
17	18 John out of the office Elk Hunting	19 John out of the office Elk Hunting	20 John out of the office Elk Hunting	21 John out of the office Elk Hunting	22 John out of the office Elk Hunting	23 9:00am NEWS RADIO 92.3   AM 1620
24	25	26	27	28  Office Closed	29 Office close	30 

# DECEMBER

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7 9:00am NEWS RADIO 92.3   AM 1620
8	9		11	12	13	14 9:00am NEWS RADIO 92.3   AM 1620
15	16	17	18	19	20	21 9:00am NEWS RADIO 92.3   AM 1620
22	23 office closed	24  office closed	25  office closed	26	27	28 9:00am NEWS RADIO 92.3   AM 1620
29	30	31  office closed	1  office closed	2	3	4 9:00am NEWS RADIO 92.3   AM 1620

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John E. Steele, CFP®, CRC®, CRPC®  
Financial Advisor  
The Retirement Planners

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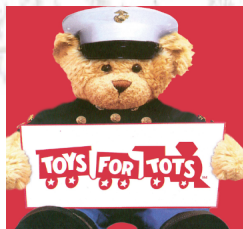
**Danny Steele**

Danny has had a rich and varied past beginning with eight years as a Data Systems Tech in the USN. He entered the Financial Services World as a professional in June of 1986. Since then he has finished a BS in Workforce Education followed by an MS in Educational Administration.

After working four years as a High School Principal, he finished his Superintendent's Endorsement and worked as a Superintendent until his June 2009 retirement. It was at this time he moved to Florida and back into Financial Services joining the Retirement Planners immediately following his retirement as Superintendent of Prairie Du Rocher School District #134.

Danny currently resides with his wife Raquel in Pensacola with all their children on their own and in productive careers.

He currently holds Securities licenses as an Investment Advisor and as a Registered Representative in addition to Life, Health and Variable Annuity licenses in both Florida and Alabama. In addition, Danny is licensed to advise and market Medicare Advantage along with Medicare Supplement insurance to help our clients deal with the complexities of the Medicare system. If you would like to know more, please call the office with questions or to make an appointment.



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