



KUMMER FINANCIAL STRATEGIES, LLC

Helping You Create Financial Independence

June 8th, 2018

Weekly Market Update

Global financial markets began the week moving higher, continuing to applaud May's strong U.S. employment report and what appeared to be fading political uncertainty out of Europe. Italy's new populist government of unlikely bedfellows was allowed to form after receiving a vote of confidence from parliament, lessening concerns that new elections would be imminent. Elsewhere, U.S. economic data was relatively upbeat while more mixed readings came from abroad. Equity prices gave back some of the early-week gains as trade tensions between the U.S., Europe and China took center stage ahead of the G-7 summit. Despite some selling to close the week out, U.S. stock prices managed to post gains on the week.

Next week is a very busy one with a number of potential market moving events. Market participants will likely begin the week digesting news out of the two-day G-7 summit, which concludes on Saturday. We have the Federal Reserve's monetary policy meeting midweek where the Fed is widely expected to lift its target interest rate. The European Central Bank is also scheduled to meet, and market participants will be looking for any updates on the future of the ECB's bond-purchase program, which is scheduled to end in September. The Bank of Japan also has its monetary policy meeting next week. Elsewhere, there is the U.S.-North Korea summit and a key U.S. Inspector General's report due out on the FBI's action during the 2016 Presidential Campaign. The economic calendar is full as well. We get small business optimism, wholesale and retail inflation data, retail sales and some manufacturing numbers.

U.S. equity markets have been slowly grinding their way back towards the highs seen in late January. In fact, both the Nasdaq Composite and the Russell 2000 Index hit record highs this past week while the S&P 500 Index is roughly 4 percent shy of its record high. Sentiment has improved while interest rates have stabilized somewhat. But trade-policy uncertainty and signs of slowing growth in Europe continue to keep market participants on their toes. Meanwhile, the fundamental backdrop remains quite healthy in our view, particularly in the U.S., which is on pace to see a strong pickup in growth during the second quarter. We are likely in the mid-to-late stages of the current U.S. economic expansion. This does not necessarily mean that the expansion will end soon. It could continue for another year or more. It does likely mean that the Fed will continue to move towards a less accommodative monetary policy stance by lifting its benchmark interest rate. It also may mean equity-market volatility will remain high. We continue to watch the path of interest rates and believe sudden increases have the potential to derail the improving market sentiment. We think the Fed raises the fed funds rate next week but maintains its gradual pace going forward with one increase per quarter. September is likely when we will see the next rate increase, but an increase at the Fed's December meeting remains in doubt.

Our indicators continue to suggest a low risk of recession unfolding over the next several months in the U.S. and we believe the overall environment remains favorable for risk assets. As a result, we continue to tilt the dynamic sleeve towards equities, recognizing that the risks may begin to rise later in the year. Some of these risks include the potential for earnings disappointments in the second half of the year and a faster pace of interest rate increases. Slowing economic activity overseas remains something to watch as well and there remains the geopolitical environment. U.S. mid-term elections could be another source of risk for

Patricia Kummer, CFP® ♦ CERTIFIED FINANCIAL PLANNER™ ♦ 8871 Ridgeline Boulevard, Suite 100 ♦ Highlands Ranch, Colorado 80129

TEL 303-470-1209 ♦ FAX 303-470-0621 ♦ 1-877-767-0763 ♦ www.kummerfinancial.com

Advisory services offered through Kummer Financial Strategies, LLC, (KFS), an SEC registered investment adviser with its physical place of business in the State of Colorado. Registration of an investment adviser does not imply a certain level of skill or training. For additional information about KFS, including fees and services, please contact KFS or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov).

Securities offered through MSEC, LLC, Member FINRA & SIPC, 5700 W. 112th Suite 500, Overland Park, KS 66211.



KUMMER FINANCIAL STRATEGIES, LLC

Helping You Create Financial Independence

markets. Longer-term, high levels of debt and central banks with little ammunition to address any downturn are key concerns of ours. A more balanced positioning between stocks and bonds in the dynamic sleeve may be warranted sometime this year, but our indicators and analysis do not suggest a change just yet. As always, we closely monitor our various indicators and market conditions for signs that the risk environment warrants a position change.

Regardless of the market's near-term direction, it is important to remember that setting the appropriate strategic asset allocation for your circumstances and risk preferences are important steps to executing your financial plan. If you would like to discuss your asset allocation, time horizon, or risk tolerance please contact us at 303-470-1209 and we would be happy to address your concerns.

Disclosures:

- Kummer Financial Strategies, LLC is an SEC registered investment advisor.
- Investors should be aware of risk when investing, including potential loss of principal.
- Past performance is not a guarantee of future results. Rebalancing, asset allocation or alternative strategies may or may not produce positive results.
- Performance, economic, and market statistics were provided by Yahoo Finance and Ned Davis Research.

Patricia Kummer, CFP[®] ♦ CERTIFIED FINANCIAL PLANNER [™] ♦ 8871 Ridgeline Boulevard, Suite 100 ♦ Highlands Ranch, Colorado 80129

TEL 303-470-1209 ♦ FAX 303-470-0621 ♦ 1-877-767-0763 ♦ www.kummerfinancial.com

Advisory services offered through Kummer Financial Strategies, LLC, (KFS), an SEC registered investment adviser with its physical place of business in the State of Colorado. Registration of an investment adviser does not imply a certain level of skill or training. For additional information about KFS, including fees and services, please contact KFS or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov).

Securities offered through MSEC, LLC, Member FINRA & SIPC, 5700 W. 112th Suite 500, Overland Park, KS 66211.