Weekly Market Commentary
January 28, 2019

The Markets

Like competitors who've completed a difficult section in an endurance race, U.S. stock investors took a breather last week.

The Standard & Poor's 500 Index, which has gotten off to its best start since 1987, ended the week with a slight loss, while the Dow Jones Industrial Average and Nasdaq Composite finished slightly higher, reported Ben Levisohn of *Barron's*.

News the U.S. government shutdown would end, albeit temporarily, appeared to be of little interest to investors. *Barron's* suggested the markets' muted response to the government reopening was in balance with its response to the shutdown - there wasn't much of one. In fact, the S&P 500 has gained 10 percent since the federal government closed.

Despite apparent disinterest, the shutdown could negatively affect sentiment, according to Sam Fleming and Brooke Fox of *Financial Times*. They reported:

"The record-breaking US government shutdown is triggering ripple effects across the US economy and risks denting confidence among companies that have already been fretting about trade disputes and stock market turbulence. Shutdowns have historically had only fleeting economic effects, but Jay Powell, the Federal Reserve chairman, warned last week that a dispute that outlasts past impasses could begin to change the picture for the worse."

Last week, stock investors weren't all that impressed by earnings, either. Earnings indicate how profitable companies were in the previous quarter. At the end of last week, 22 percent of companies in the S&P 500 had reported earnings and, overall, they were 3 percent above estimates, according to John Butters at *FactSet*.

However, indications the Federal Reserve may decide to keep more Treasuries on its balance sheet than originally anticipated gave U.S. stocks a boost late in the week, reported Nick Timiraos of *The Wall Street Journal*. The Fed began shrinking its balance sheet in 2017 by letting Treasury and mortgage bonds mature. We'll know more after this week's Fed meeting.

Data as of 1/25/19	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	-0.2%	6.3%	-6.2%	12.4%	8.4%	12.3%
Dow Jones Global ex-U.S.	0.7	5.9	-16.7	7.5	0.6	5.9
10-year Treasury Note (Yield Only)	2.8	NA	2.7	2.0	2.8	2.6
Gold (per ounce)	0.8	1.0	-4.5	5.4	-0.7	3.6

Bloomberg Commodity Index	-0.4	5.7	-10.4	2.9	-8.4	-3.4
DJ Equity All REIT Total Return Index	1.4	7.7	6.3	8.8	9.7	15.2

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT IS GOING ON ACROSS THE POND?

Last November,
BBC commentator Chris Mason reflected the frustration of a nation with his report on the rapidly approaching deadline for the British exit from the European Union (EU). He said:

"So, where are we in all of this Brexit process...people like me are paid, aren't we, to have insights and foresights and hindsight about these things, to be able to project where we're going to go. To be quite honest, looking at things right now, I haven't got the foggiest idea what is going to happen in the coming weeks. Is the prime minister going to get a deal with the EU? Dunno. Is she going to be able to get it through the Commons? Don't know about that, either."

The report went viral.

Since then, we've gotten some answers. The Prime Minister did indeed negotiate a deal with the EU and, on January 15, the British Parliament soundly rejected it. Heather Stewart of *The Guardian* reported it was, "...the heaviest parliamentary defeat of any British prime minister in the democratic era."

The lack of an agreement in combination with a looming Brexit deadline - it's just 9 weeks out - has created tremendous uncertainty about the future of British trade with the EU. One response has been stockpiling goods. Last week, Sarah Butler of *The Guardian* reported three-fourths of warehouse space in the United Kingdom is at capacity.

One intrepid entrepreneur has been marketing Brexit survival kits that provide 30 days of food rations for £295 ($380). Reuters reported the kit includes, "...60 portions of freeze-dried British favorites: Chicken Tikka, Chili Con Carne, Macaroni Cheese and Chicken Fajitas, 48 portions of dried mince and chicken, firelighter liquid, and an emergency water filter."

As they say, necessity is the mother of invention.

Weekly Focus - Think About It

"Courage is like - it's a habitus, a habit, a virtue: you get it by courageous acts. It's like you learn to swim by swimming. You learn courage by couraging."

--Marie M. Daly, Chemist

Best regards,

Moshides Financial Group

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
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