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KUMMER FINANCIAL STRATEGIES, LLC

Helping You Create Financial Independence

June 1st, 2018

Weekly Market Update

The week was slightly positive for U.S. and emerging equity markets, while European equity markets remained slightly lower on uncertainty around the Italian elections. We did see quite a bit of volatility throughout the week as new tariffs are to be imposed, Italy may leave the European Union, and Russia and OPEC may increase oil output to make up for the drop in Venezuelan production. Further, the once canceled, U.S.-North Korea summit looks to be back on the table again. U.S. Treasury yields were lower on the week as the uncertainty around global politics seems to be putting a bid into the markets.

We saw some important economic data as well, which helped prop up markets. GDP grew at a 2.2 percent annual rate in Q1 which was slightly lower than the previously estimated 2.3 percent rate. Though GDP was revised to 2.2 percent v 2.3 percent, largely due to a downturn in consumer spending, income tax cuts are likely to boost activity this year. Friday's May jobs report came in strong, locking in expectations for the Fed's June interest rate hike. Average hourly earnings were also steady and doesn't seem to be signaling a buildup of inflationary pressures. Next week, the economic calendar is a light one with ISM's services index and first quarter productivity numbers among the key releases.

As summer nears, market participants remain focused on the Fed and interest rates. Many believe that the economy and stock prices can absorb a slow rise in interest rates and that sudden increases would likely spell trouble for equities. We would agree and would add that we think the economy is healthy enough to withstand a modest increase in interest rates. Our indicators continue to suggest a low risk of a recession unfolding in the U.S. over the next several months. With earnings growth picking up and markets off their highs, valuations are not stretched in our view. Furthermore, low inflation and low interest rates suggest to us higher valuations can be justified. We do not think inflation and interest rates are likely to jump sharply. We do continue to see a gradual rise in interest rates. A key near-term risk, other than a faster-than-expected rise in interest rates, remains the potential for earnings to disappointment. This is more of a concern for the third and fourth quarter of this year. Signs of 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 markets. Longer-term, high levels of debt and central banks with little ammunition to address any downturn are key concerns of ours. But our indicators continue to suggest favoring equities over bonds.

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.

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