



Spring is here!

March 20th brought us the official start of spring and all of us here at FLD couldn't be happier! The sun has started peeking out more often, the days are getting longer, and soon the flowers will be back in all their glory. That does mean the rain is on its way, but those of us here in the Pacific Northwest are used to a little rain! It's the price we pay for living in such a beautiful area. But we are looking forward to the sun returning to its more regular appearance. What are you looking forward to this spring? Next time you're in the office, let us know!

What's Happening Now



by James Pafundi

Over 90% of Companies in the S&P 500 Index have reported 4th quarter earnings as of this writing. 70% of those have reported earnings per share estimates (EPS) below their five year average, according to FactSet. This slowdown in growth rates is primarily due to "tariffs arising from US China Trade disputes and an overall softening in global economies" according to investment manager Lord Abbett. Looking forward into 2019, EPS growth rates are expected to be negative in the first quarter but then turning positive for the rest of the year.

So what are hurting growth rates for 2019? This estimated growth slowdown is to some extent related to time frame in which comparisons are made. According to Goldman Sachs the tax reform legislation that passed in 2017 contributed to nearly half of all 2018 growth rates in EPS. If that is the case, then much of this slowdown in 2019 can be attributed to the "one time" nature of tax cuts realized in 2018.

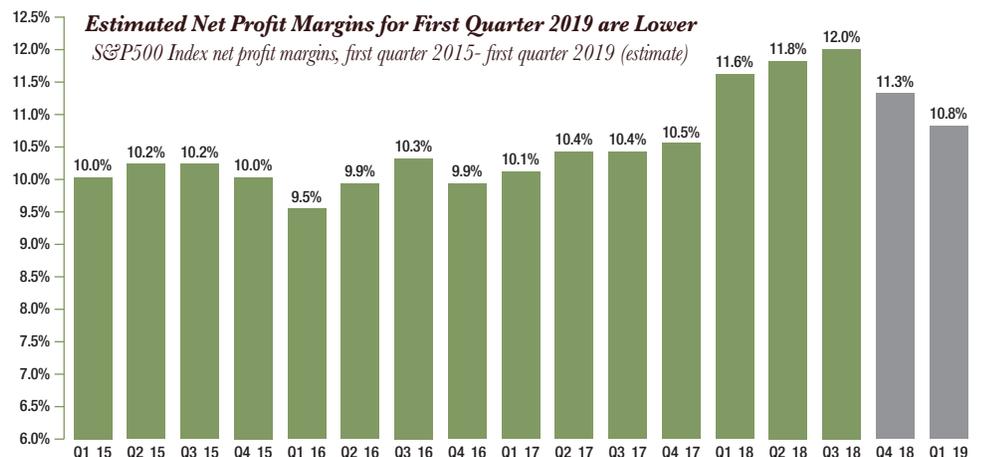
But, beyond just tax reform, we are also seeing companies reduce forward estimates for another reason; trade. The escalating trade tensions between the US and China are expected to weigh on profits through 2019. Bank of America estimates that one-third of the decline in earnings forecast can be attributed to the impact of tariffs being imposed by the two leading economic

superpowers. However, there does seem to be some positive signs as the White House announced a delay in raising additional tariffs after "productive" talks with Chinese representatives.

Does a slowdown in profit growth suggest an impending economic recession? Since WWII there have been 22 earnings recessions (defined as two consecutive quarters of earnings decline year over year) and 13 of those times were not followed by an economic recession within two years. That doesn't seem like a strong correlation to me.

So how much of this muted earnings projections for 2019 stems from nonrecurring events? It's hard to know for sure, but maybe 75%. The absolute level of earnings is still historically high and that is not what you would expect to see in the months leading up to a recession.

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Less Cheese Exports Affects U.S. Dairies - Agricultural Trade

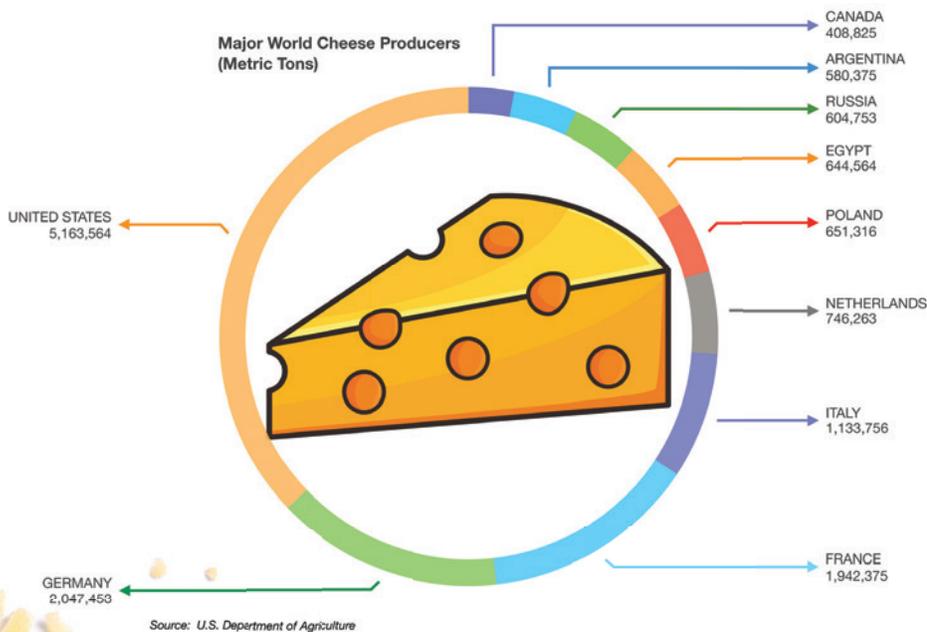
by James Pafundi

U.S. dairies are among the largest producers of cheese in the world, producing from cheddar to mozzarella. The global cheese market is currently made up of over 21 million tons of cheese production coming from countries all over the world. Cheese comes in various forms, as large uncut blocks to small package products such as string cheese.

Cheese is big business worldwide since dairies, usually on large areas of land, demand enormous amounts of capital to maintain operations. U.S. dairies are among the largest and most efficient

worldwide, producing mass amounts of cheese for domestic consumption and for international export. Trade tensions and tariff retaliations have made U.S. cheese exports more expensive worldwide. With less exports, an increasing supply of cheese has been accumulating in the U.S. Additionally, U.S. consumers are consuming less cheese and dairy products, driving demand down as stockpiles climb.

Sources: U.S. Dept. of Agriculture, FRED; Bank of St. Louis



Rates Hold Steady..... For Now - Fixed Income Overview

by James Pafundi



The Fed intends to stop reducing its balance sheet this year, which influences the rise in rates, but still remains devoted to raising rates when economic data deems it. The markets interpret this strategy as a mixed signal, whereas the Fed may be unsure as to what direction the economy may actually head.

The yield on the 1--year Treasury has been trending higher than the yield on the 5--year Treasury, creating what is know as an inversion, perhaps indicating slower economic growth.

Global government yields dipped to their lowest levels in months, with the German 10--year bund (bond) reaching near zero percent and the Japanese 10--year government bond falling below zero percent. Nearly \$11 trillion of global debt securities reached negative yields in February, representing a reaction to slowing global growth and the Fed's current hold stance.

Sources: Federal Reserve Bank, U.S. Treasury



Book Corner

by James Pafundi

“Why We Sleep: Unlocking the Power of Sleep and Dreams”

by Matthew Walker PhD (Author)

Sleep is one of those things we all do but understand very little about why we do it. And this lack of understanding is not just limited to the lay people. Even our scientific community, until very recently, struggled to answer the question “Why do we sleep?”

About 10 years ago or so I heard that “science doesn’t know why we sleep.” It was hard for me to believe. A few years later, I had the opportunity to ask a neuroscientist who did research for a pharmaceutical company for confirmation that “scientists don’t know exactly what was happening while we sleep.” And she basically agreed with that statement. While we did know some things, most of the sleep process was a mystery.

I was shocked. How could this be?

In my opinion, this is a very important book. It’s changed my life. And if you need some time to think about reading the book for yourself, I recommend you sleep on it. You’ll learn why you think differently after a well deserved rest.



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What’s Cooking

by Gina Pafundi

We’ve all been there. A long day has finally ended, and now it’s dinner time. With no inspiration, what do you do? You find some! For me, that comes in the form of Food Network. I love Giada de Laurentiis’ *Giada At Home*. Her big smile and bright passion for cooking inspires the same in me.

Some days I even dream of having my own cooking show! Here is one of her fantastic recipes I served at my first dinner party of the year. It paired perfectly with a nice crusty loaf of bread; great for sopping up all that delicious broth! You’re sure to enjoy this easy one pot dish as much as we did!

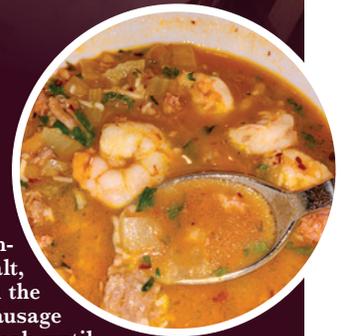


Ingredients:

- Ingredients
- 1/4 cup extra-virgin olive oil
- 1 large fennel bulb, trimmed and chopped into 1/2-inch pieces
- 4 cloves garlic, peeled and smashed
- 1 large or 2 small shallots, chopped
- 1/2 teaspoon kosher salt, plus 1/2 teaspoon
- 1/4 teaspoon freshly ground black pepper, plus 1/4 teaspoon
- 1 pound spicy Italian turkey sausage links, casings removed
- 2 cups white wine, such as Pinot Grigio
- 1/4 cup tomato paste
- 3 cups low-sodium chicken broth
- 1 bay leaf
- 1 pound large shrimp, peeled and deveined
- 1 (15-ounce) can cannellini beans, rinsed and drained
- 1 cup fresh basil leaves, chopped
- 1 tablespoon chopped fresh thyme leaves

Directions:

In a Dutch oven or large saucepan, heat the oil over medium-high heat. Add the fennel, garlic, shallots, 1/2 teaspoon salt, and 1/4 teaspoon pepper. Cook, stirring occasionally, until the vegetables are slightly softened; about 4 minutes. Add the sausage and break into 1/2-inch pieces with a wooden spoon. Cook until brown; about 5 minutes. Add the wine and scrape up the brown bits that cling to the bottom of the pan with a wooden spoon. Stir in the tomato paste, chicken broth, and bay leaf. Bring to a simmer, cover, and cook for 10 minutes.



Uncover the pan and add the shrimp, beans, basil, and thyme. Simmer uncovered, until the shrimp are pink and cooked through; about 4 minutes. Remove the bay leaf and discard. Season with the remaining salt and pepper. Ladle the cioppino into soup bowls and serve with crusty bread.

“One Pot Meals” *Giada At Home*, Food Network, 2010



Travel & Adventure *by Gina Pafundi*



Exploring cities always promises adventure. You never know what you're going to find! A great way to gain a new perspective on a city is to go on a food tour.

My best friend of forty years lives out in Boston, and we make time each year to meet up for a new adventure. Our recent travels took us to San Francisco. Specifically, on a three hour food tour around my Grandmother's old neighborhood - the Italian district of San Francisco known as North Beach. My Noni, as I called her, was born there



in 1905. As I walked the streets, cappuccino and biscotti in hand, I could only imagine what it must have been like to experience firsthand the earthquake and fire that ravaged the city in 1906. In the wake of the destruction, the large number of Italian immigrants gave the neighborhood its signature Italian character that still exists today.

One of the prominent Italian-American figures to come out of this neighborhood was baseball legend Joe DiMaggio. Not only did he grow up there, he returned with wife Marilyn Monroe in the 1950s!



The tour took us to many restaurants, bakeries, and coffee shops. One shop included the history-rich Caffè Trieste. Coppola wrote *The Godfather* screenplay there! It was a delicious and delightful afternoon sampling the varying cuisines. Here we are with our colorful guide, Blandina. We ended the day at Top of the Mark, watching the sunset. A perfect end to a perfect day!

We found the food tour through Trip Advisor. Check out their website for similar tours, or to find a unique experience all your own. Cheers to travel!



James D. Pafundi • Gina M. Pafundi, Branch Operations Manager
Securities and financial planning offered through LPL Financial,
a Registered Investment Advisor, Member FINRA/SIPC
1516 Hudson St., Suite 202 • Longview, Washington 98632
ph. 360-425-0100 • fx. 877-640-3380
james.pafundi@lpl.com • gina.pafundi@lpl.com • codi.brock@lpl.com

