

October 1, 2018

MONTHLY MARKET REVIEW

Provided by Kistler-Tiffany Advisors

Domestic stock investors have been riding a wave of success in 2018. The S&P 500, an index representing 80% of the nation's \$32 trillion of stocks, just finished the 3rd quarter last week and is up +10.6% YTD (total return). The final 3 months of the year have historically been the best quarter for US stocks. The S&P 500 has gained an average of +5.0% for the "October-November-December" time period over the last 25 years, resulting in just 5 "down" 4th quarters since 1993 (source: BTN Research).

Federal Reserve Chairman Jay Powell, on the job for only 8 months, is rightfully upbeat. Powell recently said that "our economy is strong, growth is running at a healthy clip, unemployment is low, the number of people working is rising steadily, and wages are up." As expected last week, the Fed raised short-term interest rates for the 3rd time this year and indicated its game plan is to raise rates an additional 4 times by the end of 2019. But more increases in rates would mean higher borrowing costs which could lead to lower profit margins for American businesses (source: Federal Reserve).

Fiscal year 2019 begins today (10/01/18) and thankfully Washington is open for business. A shutdown was avoided because House and Senate lawmakers passed legislation that gives Congress an additional 10 weeks (to 12/07/18) to agree upon limits for the 7 (of 12) spending bills that have yet to be completed. That work will be on Washington's agenda after the 11/06/18 mid-term elections (source: Congress).

Notable Numbers for the Month:

1. **NOT READY** - 30 of 50 US states **do not have sufficient reserves** set aside today to **absorb the financial impact** of an economic recession, forcing them to **raise taxes/fees** or **reduce benefits** (source: S&P Global).
2. **WHAT IS YOUR END PLAN?** - 59% of "working age" Americans (defined as adults between the ages of 21-64) **have not accumulated assets in any retirement account** – defined benefit pension plan, defined contribution plan (e.g., 401(k) plan) or an IRA (source: National Institute on Retirement Security).
3. **IT JUST DEPENDS** - The median rent today for a 1-bedroom apartment in **San Francisco** is \$3,400. The median rent today for a 1-bedroom apartment in **Omaha, NE** is \$825. The median rent today for a 1-bedroom apartment in **Charlotte, NC** is \$1,275 (source: GOBankingRates).
4. **SERVING TIME** - 47 investment bankers worldwide **received jail time** as a result of the **2008 global recession**, including 25 bankers from **Iceland**. Just **1 American investment banker went to prison**, receiving a **30-month sentence** for "fraudulently inflating" the prices of mortgage-backed securities (source: Financial Times).

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