



QUARTERLY NEWSLETTER [Q3 2019]

Positives:

Stock Market Still Mostly Positive. US stocks were quieter in the third quarter than they had been in the first half of 2019, but still positive. The S&P 500 index had its best three-quarter start for a calendar year since 1997 and ended just shy of its July all-time high. Growth stocks were flat, as the tech sector cooled, but the rotation to value stocks (which have lagged in recent years) is a good sign that market growth should continue.

Other Asset Classes Also Performing Well. Strong rallies were seen this quarter in bond and real estate assets, with REITs leading the investment pack in 3Q and YTD. High yield bonds were again positive, but trailed investment grade fixed income on some “flight to quality” behavior with the volatility this quarter; still, high yield is the best performing fixed income group this year. While some asset classes were down this quarter, all major asset groups are still posting gains for 2019.

Federal Reserve Provided Interest Rate Cut In July. As promised, the Fed did “act as appropriate to sustain the expansion” by cutting interest rates in July. With some signs of slowing economic growth, most market observers expect further rate cuts to hold off any potential recession. A second cut is most likely to come in December, but could occur in October if the Fed feels particularly nervous.

Negatives:

International Stock Markets Declined. International stocks fell this quarter, especially in emerging markets, due to the continued strong dollar and ongoing trade issues (mostly with China). Brexit uncertainty is still making European markets unpredictable as the October 31st deadline approaches, compounding the impact of slowing economic growth in mainstay Germany.

Mixed Investment Performance. While US large cap stocks posted gains, mid cap stocks were flat and small company stocks declined this quarter along with international stocks. Small cap declines concern market analysts as this lagging performance can be a sign of future downward pressure. Gold was up, but commodities overall were down as energy prices and industrial metals moved lower on signs of slowing economic growth.

Bad News/Good News. The past quarter’s returns can definitely be viewed from two different perspectives. First, many indices (not all) generated a loss for the quarter; and, where we saw gains, they tended to be small. On the other hand, the losses that occurred were too small to wipe out the gains of the previous two quarters. Thus, most investors have still made money this year despite the volatility and nervousness. It is often said that markets like to “climb a wall of worry” which, if true this time, indicates further gains ahead.

What We Are Doing For You:

Waiting And Watching. With all of 2019’s political news, and international turmoil, many investors are surprised to learn that US stocks were up +20.5% in the first nine months of the year (seen in the S&P 500 index). Even international stocks, which have received much negative press, are solidly positive this year. This type of year just reminds us again to not react too quickly to short-term market fluctuations, as one week’s panic can turn into the next week’s rally. We continue to watch closely for signs that the market rally, and economy, is faltering but don’t see strong evidence so far to indicate this is the case. We remain confident that our balanced, long-term investment style still makes sense but are analyzing your portfolios for potential changes next year.

On a personal note

Bernie It was a bittersweet quarter for Bernie and family. Jody lost her father after a yearlong battle with cancer. On the bright side, Jenny, who is completing her Masters in Physics, secured a yearlong paid internship with Thermo Fisher Scientific. Jenny will be an Operations Intern for Thermos' Electron Microscopy Division.

Damien It was an exciting time for the Couture family as son Nick planned and completed his Eagle Scout project and earned his advancement to Eagle Scout. Nick's project involved building eight large planter box cover screens for the garden area at Green Valley Elementary School where he attended kindergarten through fifth grade.



Debbie Debbie and Dave took a seven-day, 70-mile backpacking trip along another section of the John Muir Trail in the eastern sierras. As always, Deb trains deliberately to handle this challenge. And Dave hikes as quickly and strongly with barely no preparation. They have about 60 miles left to complete this world famous trail. An unexpected treat was stumbling upon a summer music and food festival at Mammoth Mountain resort which was at the trail end. It was great to boogie and eat something that wasn't a granola bar. They are celebrating their 27th wedding anniversary this month by relaxing in Cabo San Lucas for a week.

Zack Zack has been enjoying his Summer with family and friends. He has also been cooking a lot more BBQ lately as well, perfecting his craft and exploring different styles of cooking. Zack was able to show his capabilities in a backyard Rib Cook Off and he won First Prize! He is looking forward to more competitions next year. Zack has also been doing some Golfing as well. One highlight was being able to play with his Dad in an Invitational golf event at his Dad's home course where Zack hit close to a 370 yard drive on the first hole in front of a crowd of around 30 people. It was one of the greatest if not the greatest "golf moments" of Zack's life. Zack is looking forward to the Holiday Seasons coming around and is excited to be with family and he wants to cook a Prime Rib for Christmas, which he has never done. If you feel you know a great recipe he should try please call and let him know!

Bernard

Damien

Debbie

Zack

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S&P 500 - A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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