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## The Rally Continues

Weekly Update – January 22, 2019

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.S. markets were up again last week, as major domestic indexes posted their 4<sup>th</sup> weekly gains in a row.<sup>1</sup> In fact, the S&P 500 was no longer in correction territory at Friday's close—and was in the middle of its best yearly start since 1987.<sup>2</sup>

For the week, the S&P 500 gained 2.87%, the Dow added 2.96%, and the NASDAQ increased by 2.66%. So far, all three indexes are up more than 5% in 2019.<sup>3</sup> Internationally, the MSCI EAFE also ended the week in positive territory, posting a 1.06% gain.<sup>4</sup>

### What is driving the rally?

Once again, developments in our ongoing trade negotiations with China contributed to the performance. On Thursday, a report emerged that the U.S. was weighing whether to lift tariffs on Chinese imports. However, the Treasury Department said Secretary Steve Mnuchin had not recommended this action.<sup>5</sup> Then, on Friday, Bloomberg released news that China may raise its imports to a level that would close the trade deficit by 2024.<sup>6</sup> This potential sign of progress contributed to the day's market gains.<sup>7</sup>

While these trade updates significantly affected stock performance last week, the following details are also worth noting:

**1. Corporate earnings season started.**

So far, 11% of S&P 500 companies have released their earnings reports for the 4<sup>th</sup> quarter of 2018. As expected, growth is not as fast as in the last year's previous quarters, but total earnings are still up 16.9% over the same period in 2017. We are very early in earnings season but anticipate data from another 56 companies coming out this week.<sup>8</sup>

**2. Consumer sentiment missed expectations.**

The latest consumer sentiment reading fell to its lowest level since 2016, yet it still remains relatively high. This decline could signal that the current impasse over border-wall funding and the volatile markets are negatively affecting the economy.<sup>9</sup>

**3. Manufacturing beat projections.**

The latest data showed that U.S. manufacturing output increased by 1.1% in December. This rate exceeded expectations and may help calm concerns that factory production is slowing.<sup>10</sup>

**4. The government shutdown continued.**

Since December 22, parts of the Federal government have been closed, marking the longest shutdown in U.S. history. Economists estimate that each week the shutdown continues could reduce our quarterly growth of Gross Domestic Product by up to 0.2%.<sup>11</sup>

Looking ahead, we will not only have earnings data to consider in this shortened trading week, but also information on home sales and durable goods orders. We'll continue to monitor economic reports—and geopolitical developments—as we support each client's long-term goals. As always, if you have questions or concerns, we're here for you.

## ECONOMIC CALENDAR

**Monday:** Markets Closed for Martin Luther King Jr. Day

**Tuesday:** Existing Home Sales

**Thursday:** Jobless Claims

**Friday:** Durable Goods Orders, New Home Sales

DATA AS OF 1/18/2019	1 WEEK	SINCE 1/1/19	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	2.87%	6.54%	-4.55%	7.75%	12.13%
DOW	2.96%	5.91%	-5.04%	8.46%	11.55%
NASDAQ	2.66%	7.87%	-1.90%	11.26%	16.69%
INTERNATIONAL	1.06%	4.96%	-15.71%	-1.23%	4.56%
DATA AS OF 1/18/2019	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	2.40%	2.50%	2.60%	2.62%	2.79%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## QUOTE OF THE WEEK



*"Try to be a rainbow in someone's cloud."*

– Maya Angelou



## Easy, One-Pot Pasta



Serves 4

### Ingredients:

12 oz. linguine (you can use spaghetti if you prefer)  
12 oz. cherry or grape tomatoes, halved  
½ onion, thinly sliced  
1 medium shallot, thinly sliced  
4 - 6 cloves garlic, thinly sliced  
½ - 1 tsp. red pepper flakes (depending on heat preference)  
2 sprigs basil, plus torn leaves for garnish  
2 Tbsp. extra virgin olive oil, plus some to drizzle when serving  
2 tsp. coarse salt  
4 ½ cups water  
Freshly grated Parmesan cheese, for plating

### Directions:

1. In a large, straight-sided skillet (you'll need the depth), combine the pasta, tomatoes, onion, shallot, garlic, red pepper flakes, basil, oil, salt, and pepper with the water. Bring to a boil over high heat. Reduce to a medium boil and cook the mixture, stirring the pasta frequently until pasta has reached the desired consistency and water has nearly evaporated (approximately 9 minutes cooking time).
2. Adjust seasoning, plate, and garnish with basil. Drizzle with a bit of olive oil and Parmesan shavings.

Recipe adapted from [www.marthastewart.com](http://www.marthastewart.com)<sup>12</sup>



## Tax Tips for Those in the Military

The IRS and the U.S. Department of Veterans Affairs have partnered to provide free tax preparation services, financial planning advice, and helpful information to veterans and their families. Here are just a few, helpful tips for veterans:

### **Earned Income Tax Credit**

Many veterans are eligible for the Earned Income Tax Credit. It's a refundable, federal income tax credit that roughly two million veterans and military households receive. The EITC is the refundable component of the Child Tax Credit. The credits provide a tax break for eligible service members.

### **Free Financial Coaching**

This financial coaching initiative is help for veterans to achieve their financial goals. Certified financial coaches in organizations around the country can provide free financial support services. The program is available in various locations and managed through the Armed Forces Services Corporation, is available until the end of March 2019, and is provided by The Bureau of Consumer Financial Protection, Office of Servicemember Affairs. Contact 1-844-90-GOALS (1-844-904-6257) for information.

### **Free Tax Prep Services**

IRS-certified volunteers help many veterans through The Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs. These IRS-certified volunteers provide basic tax assistance and preparation of electronic filings for qualified veterans and their families. For more information, call 800-906-9887.

\* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tips adapted from IRS.gov<sup>13</sup>



## Embrace the Toe Chip

If you ever end up with your ball in a divot or lying in thick grass, a toe chip can help you get it out of the grass and onto the green. Here's how:

Set up close to the ball with your shaft nearly straight and just the toe of the club (the part of the clubhead farthest from the shaft) against the ball. This is the only part of the club you want to strike the ball.

Put just a bit of weight on your left foot and keep your grip solid, but relaxed. You want your angle onto the ball to be sharp to get the ball up and out of trouble.

Pick a target and think about how much distance you need on the ball to reach your goal. Calibrate your backswing to the distance you need to achieve and strike the ball sharply. If you've done it right, the ball should fly up and out and roll freely on the green.

Tip courtesy of Lee Huntley, LPGA/PGA | Golf Tips Magazine<sup>14</sup>



## Healthy Knees? Yes, Please!

When you think about it, knees are a pretty fragile joint, yet super important. It's a one-way joint, so the mobility is limited. Taking care of your knees is essential to prevent injuries, inflammation, and in some cases, knee replacement. Check out these knee health tips to walk with ease:

- Stay at a healthy weight. Walking on level ground equals 1 ½ times your body weight in force. For example, at 200 pounds, you're putting 300 pounds of pressure on your knees and even more when walking at an incline.
- Low-impact exercise is best to minimize too much pressure on knees. Think walking, swimming, cycling, and strength training.
- Keeping your core in shape helps your whole body to stay balanced. Yoga and Pilates are beneficial in keeping your abs, back, and hips strong.
- Make sure your shoes are appropriate for your activity level. Sometimes insoles or even orthotics from the podiatrist can help to align your feet, legs, and hips for healthy and pain-free knees.

Tips adapted from WebMD and Harvard Health Publishing<sup>15</sup>



## **Saving and Preserving the Ocean**

The earth's oceans need our care. Pollution, overfishing, climate change, and the depletion of species and natural environments are the direct result of human actions and consumption. Preservation of our oceans is imperative for the health of the earth. Here are steps we can all take to do our part:

### **Learn More About the Ocean**

Knowledge is power. Tap into books, documentaries, websites, and museums to learn about how dependent we are on the ocean and its diversity of life and food systems.

### **Volunteer Locally, Shop Locally**

You can consider joining an organization that works to protect ocean habitats or volunteering at local beach cleanups. Locally, you can support restaurants and grocery stores that use sustainable seafood. Look for the MSC blue fish on your seafood—a certification that ensures your fish can be traced back to a sustainably managed fishery.

### **Say No to Straws**

And say no to single-use plastics. The results are staggering: 8 million tons of plastic is dumped into the ocean each year. You can minimize your impact by removing single-use plastics from your daily habits. Use reusable, BPA-free, insulated water bottles and flasks.

Tips adapted from World Wildlife Fund<sup>16</sup>

### ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues.*

*If you would like us to add them to our list,*

*simply reply to this email and let us know. We love being introduced!*

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

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.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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<sup>1</sup> <https://www.reuters.com/article/us-usa-stocks/wall-street-extends-rally-on-u-s-china-trade-optimism-idUSKCN1PC1FH>

<sup>2</sup> <https://www.cnbc.com/2019/01/18/stocks-us-china-trade-talks-take-center-stage-shutdown-earnings.html>

<sup>3</sup> <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX&region=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=%21DJI&region=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

<sup>4</sup> <https://www.msci.com/end-of-day-data-search>

<sup>5</sup> <https://www.reuters.com/article/us-usa-stocks/wall-street-extends-rally-on-u-s-china-trade-optimism-idUSKCN1PC1FH>

<sup>6</sup> <https://www.bloomberg.com/news/articles/2019-01-18/china-is-said-to-offer-path-to-eliminate-u-s-trade-imbalance>

<sup>7</sup> <https://www.cnbc.com/2019/01/18/stocks-us-china-trade-talks-take-center-stage-shutdown-earnings.html>

<sup>8</sup> <https://www.nasdaq.com/article/key-takeaways-from-q4-earnings-results-thus-far-cm1084343>

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<sup>9</sup> <https://www.reuters.com/article/us-usa-economy/u-s-consumer-sentiment-at-two-year-low-manufacturing-rebounds-idUSKCN1PC1NT>

<sup>10</sup> <https://www.cnbc.com/2019/01/18/industrial-production-december-2018.html>

<sup>11</sup> <https://www.reuters.com/article/us-usa-economy/u-s-consumer-sentiment-at-two-year-low-manufacturing-rebounds-idUSKCN1PC1NT>

<sup>12</sup> <https://www.marthastewart.com/978784/one-pan-pasta>

<sup>13</sup> <https://www.irs.gov/individuals/information-for-veterans>

<sup>14</sup> <https://www.golftipsmag.com/instruction/>

<sup>15</sup> <https://www.webmd.com/rheumatoid-arthritis/better-living-ra-17/active/slideshow-keep-joints-healthy>

<https://www.health.harvard.edu/pain/why-weight-matters-when-it-comes-to-joint-pain>

<sup>16</sup> <https://www.worldwildlife.org/stories/7-ways-you-can-help-save-the-ocean>