



KUMMER FINANCIAL STRATEGIES, LLC

Helping You Create Financial Independence

July 20th, 2018

Weekly Market Update

Global equity markets finished the week higher despite seeing mid-week selling. President Trump met with Russian President Putin this week and has tentatively scheduled another summit. We also heard from FOMC Chair Jerome Powell this week. His comments were generally in line with what we have been hearing from the Federal Reserve, continued rate increases at a moderate pace with a healthy job environment in the economy. Powell also noted that he is keeping an eye on asset class bubbles, which many interpreted to mean slower rate hikes.

On the economic front, it was a light week for data releases. We saw June retail sales increase 0.5 percent, in line with expectations, continuing to climb after a large gain in May. Americans are feeling confident in the economy, stock market, and general outlook begetting more spending. This has happened despite the recent rise in prices that many Americans are seeing at the gas pump. Housing starts slowed in June. Many builders are struggling to give buyers what they want for lower prices which has been halting many housing projects. Experts are expecting to see this number pick back up in July.

Market breadth, an indication of how broad a rally is, remains relatively narrow with just a few industries making new highs. Historically, this is not an ideal situation for the broader market to make new highs. Typically, the greater the number of industries and sectors participating in a rally, the better it is for the overall market and the healthier the rally. This does not mean markets can't hit new highs, it just suggests a more difficult environment. We think economic and earnings data will need to surprise to the upside to give the market its best chance of a sustainable rally over the near term. Elevated valuations, the potential for more rate hikes and further flattening of the yield curve could keep a lid on any near-term gains in our view.

The aging economic expansion is likely in the mid-to-late stages. While there is a good chance that the global economic expansion has a little more room to run, we are in the process of shifting to a more balanced position between stocks and bonds in our dynamic sleeve. Our indicators continue to suggest a favorable backdrop for risk assets worldwide. But with the potential for higher volatility and fading economic momentum outside of the U.S. we felt the environment warranted the change. We continue to monitor our various indicators in assessing market conditions and expect to make changes we feel are appropriate in an attempt to manage risk and capitalize on opportunities.

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.

Patricia Kummer, CFP® ♦ CERTIFIED FINANCIAL PLANNER™ ♦ 8871 Ridgeline Boulevard, Suite 100 ♦ Highlands Ranch, Colorado 80129

TEL 303-470-1209 ♦ FAX 303-470-0621 ♦ 1-877-767-0763 ♦ www.kummerfinancial.com

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